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The Small Business Adviser

**Software To Help
You Calculate Taxes**

**Avoid Contractor
Trouble With IRS**

**Protect Yourself
In Leasing Space**



Switching To Self-Insurance

*Even small companies
can gain from setting up
their own health plans,
but they should weigh
the risks carefully.*



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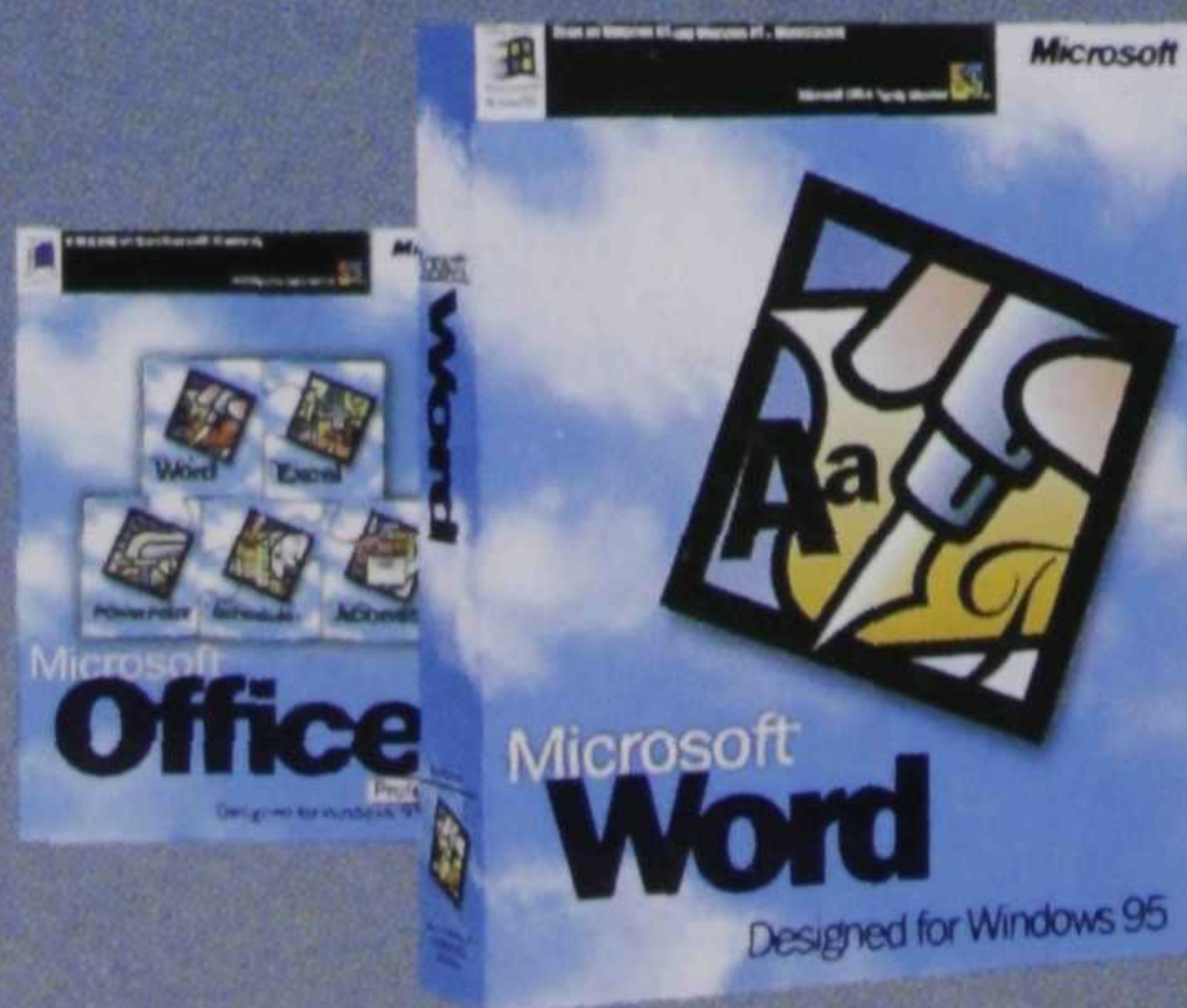
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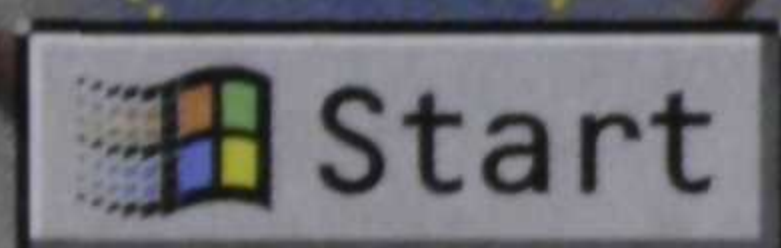
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PHOTO: ©SHAWN SPENCE

Health-care claims submitted by Indiana restaurant-chain owner Arni Cohen's employees are paid from company coffers. Self-insuring can foster employee loyalty and cut costs—even for a small firm—but it can present risks. Cover Story, Page 16.



PHOTO: ©DUANE HALL

Hair-products entrepreneurs Joe and Eunice Dudley encourage employees' personal development. Making It, Page 12.

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Editor's Note

A Better Way To Save?

In reporting this month's cover story, "Switching To Self-Insurance," Senior Writer Laura Litvan, at the right, found that small firms increasingly are paying their workers' health claims themselves rather than using an outside insurer.

Could this approach help your company reduce costs?

Possibly, but before you try it, be aware of the potential pitfalls as well as the benefits. Both are outlined beginning on Page 16.



PHOTO: FRANCES BORCHARDT



PHOTO: ©SANTA FABIO—BLACK STAR

A computer program helped Peg Ostby double her travel agency's revenues. *Small Business Computing*, Page 29.

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As many small-business owners know, doing business can be like walking through a minefield: one wrong step and you're out of commission. One of our goals at *Nation's Business* is to point out the land mines to help you avoid a misstep.

In addition to our cover story, other features aimed at guiding you include "Before You Buy, Be Careful" and "Shutting The Door On Lease Problems."

The former, on Page 45, details aspects of a business you should scrutinize before signing a purchase agreement. The latter, on Page 24, highlights ways to protect yourself in negotiating a lease.

Teresa Shaheen, in the photo at left, is among the small-business owners featured in the leasing article who learned the hard way about problems to avoid.



PHOTO: ©PAUL S. HOWELL—GAMMA LIAISON

We also announce in this issue, on Page 38, the state honorees in the Blue Chip Enterprise Initiative, the annual competition sponsored by Connecticut Mutual Life Insurance Co., the U.S. Chamber of Commerce, and *Nation's Business*. The program recognizes small companies that have overcome adversity.

Profiles of the four national honorees will appear in the April issue.

Mary Y. McElveen

Mary Y. McElveen
Editor

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Letters

A Warning Elicited On Truckers' Liability

 Your January cover story, on the 1996 outlook for small business, prompts this warning to small businesses that ship by truck: Demand that your trucker provide a complete explanation of the rates, charges, and rules before you ship, or be prepared for surprises in 1996.

As a result of the elimination of the Interstate Commerce Commission, which has protected the shipping public for 100 years, truckers are now free to negotiate individual rates and discounts. (See the story on the ICC's elimination, on Page 32.) However, they may also impose restrictions and liability limitations on their services without notice, unless the shipper requests copies of the tariff. Most truckers are, therefore, placing limits on their liability for loss, damage, and delay—limits that the ICC would not have authorized.


Because of a quirk in the law, it is possible to defeat such limitations imposed on shipments that occurred between Aug. 26, 1994, and Dec. 31, 1995, but claimants must assert the law or lose the right to recover the full value of their goods lost or damaged in transit.

It's caveat emptor once again in trucking for small businesses.

William J. Augello

*Executive Director/General Counsel
Transportation Claims and
Prevention Council, Inc.
Huntington, N.Y.*

Another Avenue For Selling A Firm

 Just a quick comment in response to a question asked in January's Direct Line section. In "On The Block," a 30-year business owner was contemplating the sale of the business and wanted to know how a small-business owner can interest a larger company in buying the firm.

The current mergers-and-acquisitions market is composed of more than just corporate acquirers. Private investment groups, which invest in acquiring companies, are very active in the small-business market, as intense competition has forced them to look at smaller and smaller transactions.


As an associate with a middle-market mergers-and-acquisitions firm, I see more than 50 percent of the businesses we sell

being bought by these investment groups. Generally, they have paid premium prices for businesses, and they should be sought after by sellers.

Howard N. Hecht

*Green Park Development Resources
Port Washington, N.Y.*

The Flat-Tax Debate Is Missing The Point

 I am intrigued by the debate over a flat tax [Letters, February]. Why is it that those who write about an unfair tax burden on the middle class or who say the



ILLUSTRATIONS: ALBERTO PACHECO


rich are not paying their fair share cannot see that our objective should be to reduce the burden for all through a reduction in government?

The only way the tax battle will be fully understood is when people quit thinking about what everybody should pay and begin focusing on what the government should spend.

Tom Sauer, President

*Western States Bond Agency, Inc.
Denver*

Training Is The Key To Repeat-Sales Success

 The Enterprise 2000 article in January, "Increasing Revenue With Repeat Sales," was very well-written and covers one of the most overlooked areas in selling today. A company's potential best new customers are already doing business with that firm—they know and trust the company's products and its people.

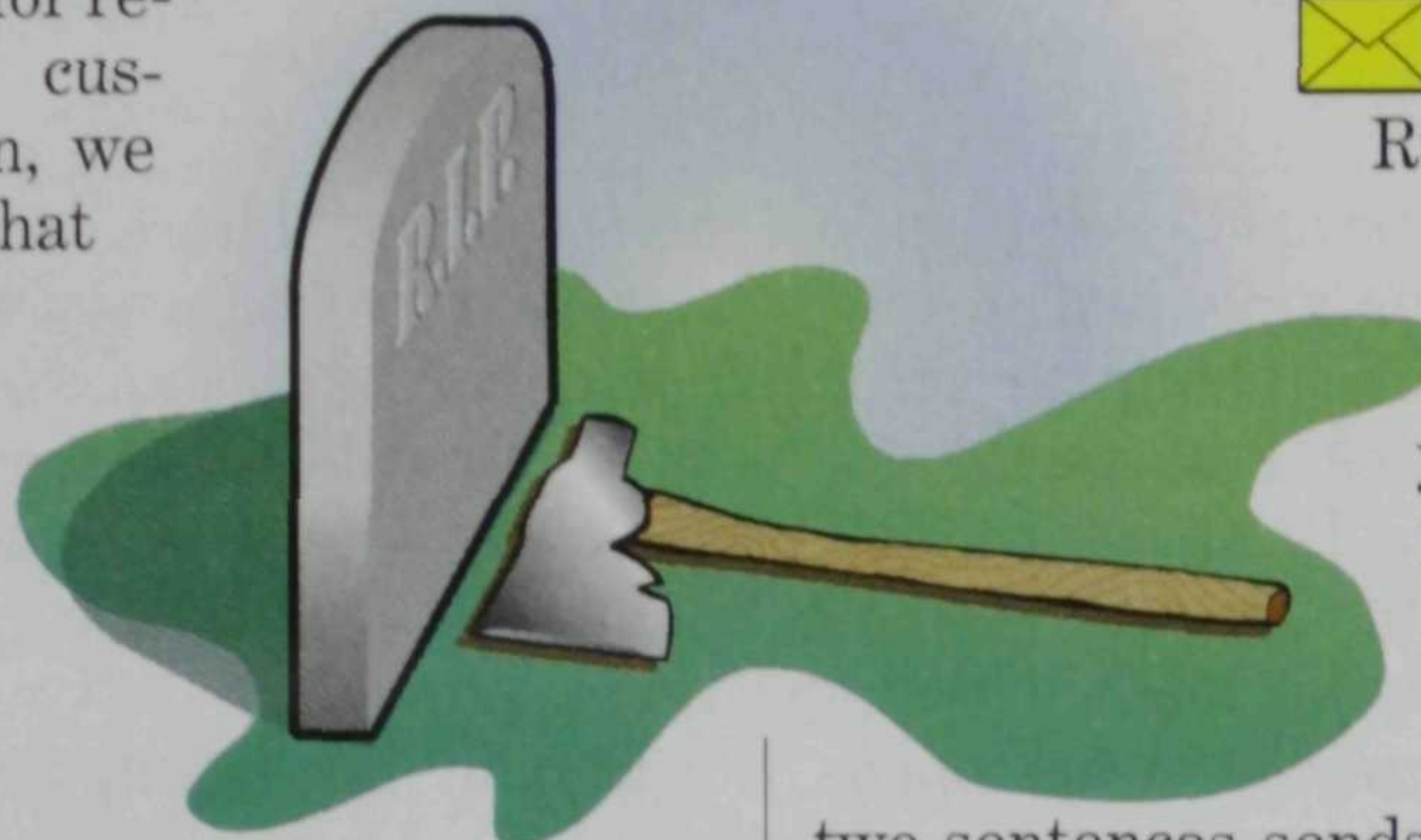
I was disappointed that the article did omit some critical areas. We must realize that to get improved sales from existing accounts, our sales teams must be trained effectively in areas of creative problem solving, negotiating, and assessing needs. They must become skilled in providing resources and ideas that the customer can use. Finally, the salespeople must take

ultimate responsibility for customer service and satisfaction.

This is all easier said than done. The key to being successful is training and arranging compensation that recognizes the value of repeat orders.

If we study the companies renowned for repeat sales and customer satisfaction, we will quickly see that they dedicate time and resources to adequate training.

*Ken Scott
President
Strategic Success
Systems
Mars, Pa.*



Bury The Hatchet With OSHA



Regarding your article "OSHA Loses In Ruling On Multiple Penalties" [Date-line: Washington, January], I believe you have missed the point of the event being reported.

The wording of the headline and first two sentences sends the reader the message that business's relationship with the Occupational Safety and Health Administration is invariably adversarial and that when business "wins" it is because OSHA "lost." This is an unfortunate impression to give readers who are trying to find a constructive way to cope with the increasingly complex regulatory environment.

Given the current regulatory climate in the federal government, OSHA is more than ever looking for ways to ensure the safety and health of American workers without the heavy-handed tactics of its earlier years.

It is a time of opportunity for business to set the tone for its relationship with OSHA for years to come, and it is important that the tone be collaborative, not adversarial.

Even if we in business do not agree with a particular OSHA policy, such as multiple penalties, and work to rescind it, as the U.S. Chamber of Commerce did, we should not be gloating over OSHA's losses.

Articles written like this one can only anger OSHA people already smarting over having their policy overturned.

Let's keep our relationships with OSHA businesslike and evenhanded, for the benefit of all.

*David L. Gendron
Safety and Industrial
Hygiene Superintendent
Monsanto
Springfield, Mass.*

A First-Class Test Of A Charity's Merit



There is a way to decide which charities to support without doing the kind of financial checking described in "Careful Generosity" [Managing Your Small Business, December].

I utilize a simple rule of thumb to gauge expense control. I request a statement in

writing that no person in the organization travels via first-class air, either by payment or by frequent-flier upgrade. (Actually, I enclose a slip stating the above, which I request that they sign and return.)

*F.J. Kovac
Akron, Ohio*

High Costs Of Workers' Comp Result Of Claims Of A Few



Regarding a February letter, "Workers' Comp A Concern In Status Of Loggers," from Richard E. Abbott, I am a logger of many years in the heart of the logging industry—south Alabama. I too am very familiar with workers' compensation and its staggering costs.

These insurance companies are making us all pay the price for the few companies that have high claims.

I do not think my company is much different from the majority of loggers. My premiums are based on the gross pay of all my employees. Therefore, that does not allow me to give raises because I couldn't afford the insurance premiums.

This has been an issue for a long time. We all know where it is headed. The American dream will eventually be over for small businesses.

I challenge you, Mr. Abbott, to get out of your office and come down and talk to the real world. I think you will find things a little different.

*Wanda Moore
Joint Owner/Secretary
W. W. Moore Timber Co., Inc.
Whatley, Ala.*

Correction

"Benefit Costs Shift Into Reverse," in the February issue, listed an incorrect phone number for ordering *Employee Benefits 1995 Edition*.

To order the publication and/or the Employee Benefits Analyzer software, call 1-800-638-6582 between 9:30 a.m. and 4:30 p.m. Eastern time.

You can communicate with Nation's Business via:

✉ Letter: Editor, Nation's Business
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Please include your telephone number and your postal address. Because of space limitations, we cannot print all letters received, and those selected for publication may be condensed.

Addressing A Couple Of Points About E-Mail



May I suggest that you add your Internet electronic-mail address to the CompuServe address listed at the end of the Letters column each month?

Perhaps you could also include the e-mail addresses of the authors of published letters who wrote in via e-mail. Many of them would be delighted to correspond with interested parties about their viewpoints without having to use "snailmail," with its attendant delays and expense.

*Gus Philpott
Richmond, Va.*

[Editor's note: We have added our Internet address, 76436.1735@compuserve.com, at the end of the Letters column in this issue and will continue to do so. We will also consider publishing e-mail addresses when we are requested to do so by letter writers.]

The Republican Congress Fails To Impress



Your beloved Republican Congress [Editorials, December and January] has done zip.

The Republicans are the ones who got us into the mess that they now can't get us out of. The 1980s under Presidents Reagan and Bush were a disaster. Pull your head out of the sand and look around.

Senate Budget Committee Chairman Pete V. Domenici, R-N.M., was told and knew from Day One that his budget wouldn't fly. Sure there are mountains of fraud in Medicare, Medicaid, and welfare. It's not the people enrolled in these programs who are at fault; it's the double and triple billing and bogus claims.

The Republicans are throwing out the baby and keeping the dirty bath water. If

Entrepreneur's Notebook

By Michael Zane

Locking On To Teamwork

When your product is designed to be "stronger than steel," it's hard to believe your business still might need Superman.

Yet with sales of our Kryptonite locks pointing the company in new directions—and with a raft of competitors working furiously to make inroads on our traditional sales—a Superman of sorts was exactly what the company needed, someone who could come in and lift the business to a higher plane.

Many entrepreneurs confuse giving something up with giving something away. But if you can't be a superhero and take on every challenge yourself, it pays to own up to what you don't know and find someone who can fill your voids.

Kryptonite Corp., the Canton, Mass., company I started in 1971, makes locks, notably U-shaped bicycle locks. By last year—with my brother Peter and I running the business—we had grown to 70 employees and roughly \$20 million in sales.

Over the past 25 years, our market has grown from just bikes to mopeds, motorcycles, and, most recently, automobile security. While we were expanding into obvious markets, our locks were also being used for lots of things besides wheeled vehicles. In fact, people were going to bike and motorcycle shops for the locks and then securing everything from gates to power tools and ladders on trucks.

We wanted to pursue this new business. With competitors making cheap knockoffs of our products, new markets were needed to sustain growth. But we didn't want to go bankrupt tilting after windmills—trying to steer people toward home-security distributors, for example, when at least a segment of that market already knew where to find our products.

Michael Zane prepared this account with Contributing Editor Susan Biddle Jaffe. Readers with insights on starting or running a business are invited to contribute to Entrepreneur's Notebook. Write to: Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000.

All signs pointed to bringing someone in from outside to help us grow and to give Peter and me the time to pursue those avenues of business that best suited our talents and interests. Bringing in new personalities to a company with strong family ties—our late father made our first locks, and Mom still signs checks and opens

derstood the culture of a family business, something we felt was vital to the success of any new relationship. Gary, who had been on our board of directors, was the fourth-generation head of American Brush Co. before Stanley Works, of New Britain, Conn., purchased the company.

Equally important, we're responding to Gary's efforts to formalize not only our internal communications but also the procedures of our board of directors. Gary reports directly to the board, and what had been an informal group has been professionalized with clear objectives.

Rather than seeing Gary's addition as a loss of control or a blow to our egos, Peter and I see it as an opportunity for all of us. While our family remains majority stockholders, we have given Gary an ownership stake in the firm—a reason beyond his paycheck to make things happen.

And we're taking advantage of the reduced responsibility, from having more time to ourselves to focusing on what we do and enjoy best to help Kryptonite reach its full potential.

Individually, none of us is a superhero—but you don't have to be, if you have the right amount of help and teamwork to keep your small business growing. **NB**



PHOTO: ©RICK FRIEDMAN—BLACK STAR

Bringing in a new CEO freed up Michael Zane, chairman of Kryptonite Corp., to devote time to product development.

the mail—isn't an easy decision; our choice was complicated by the fact that past efforts to expand the top management team with outsiders had failed.

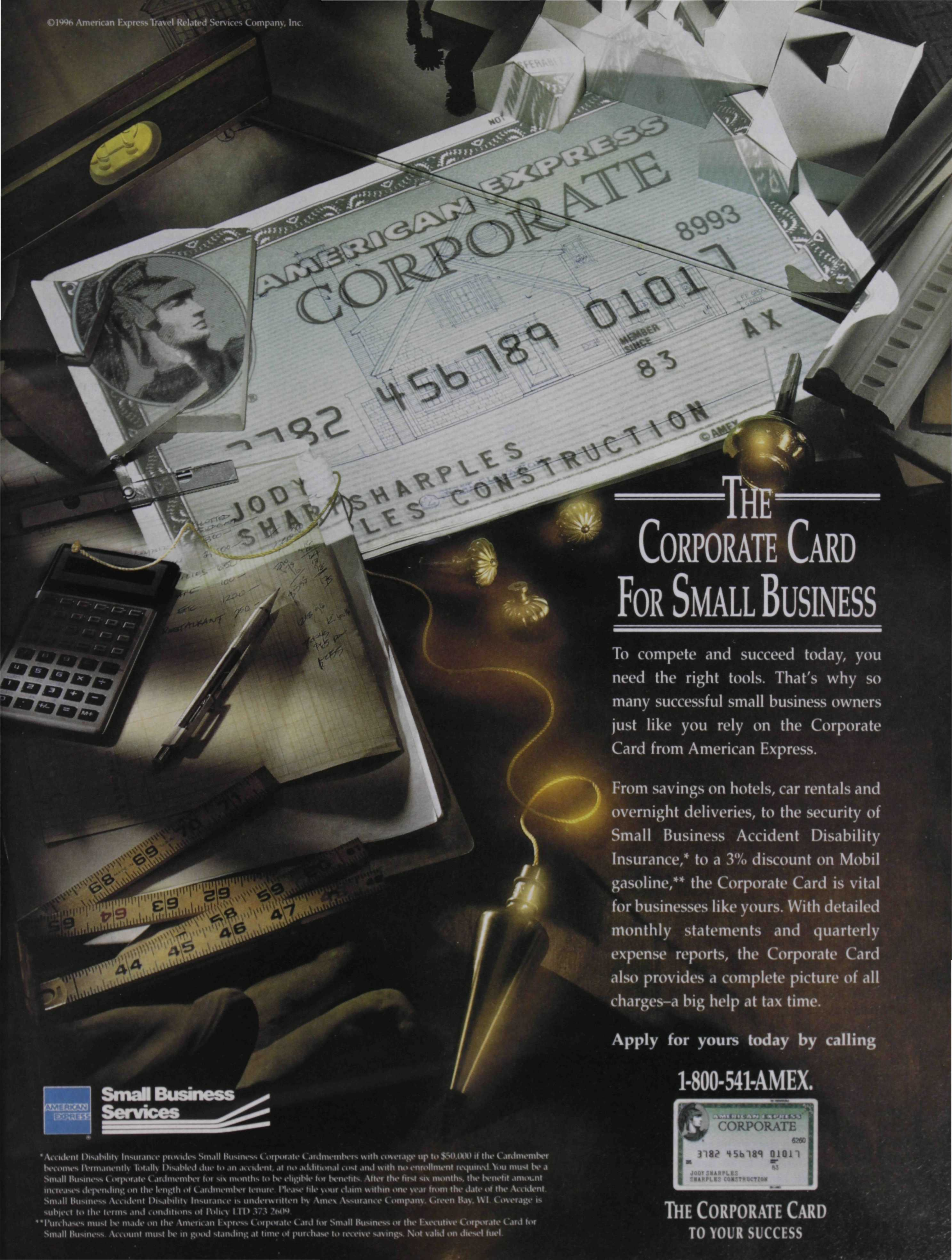
Finding the right leadership for any company means knowing and being honest about both personal and corporate strengths and weaknesses, as well as culture and goals.

For our part, this past September we named Gary Furst as Kryptonite's chief executive officer. As chairman and company spokesman, I now devote most of my time to the manufacturing and product-development aspects of the business. Peter oversees sales, and Gary has ultimate responsibility for new-market development, greater corporate profitability, and the use of technological advances to better communicate with retailers.

There have been several keys to making this new corporate structure work. In Gary, we found someone with experience in large-corporation and international sourcing—knowledge we needed—but who un-

What I Learned

Adding a top manager can help your firm sustain growth and allow you to concentrate on your strengths.



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TO YOUR SUCCESS**

Dateline: Washington

Business news in brief from the nation's capital.

EMPLOYMENT

Bills Would Affect The Hiring Of Skilled Foreign Workers

U.S. businesses would have to pay the federal government at least \$10,000 for each skilled foreign worker they hire, under immigration legislation pending in the Senate. A provision in the bill would impose a fee—10 percent of a skilled immigrant worker's first-year pay or \$10,000, whichever is greater—on businesses for each hire. The provision also would cut by one-third the annual number of employment-related visas.

Proceeds from the fees would be earmarked to fund job-training and education programs to help U.S. workers qualify for the kinds of jobs employers now seek to fill with skilled foreign workers.

The provision, which is strongly opposed by the U.S. Chamber of Commerce and other business groups, is part of an immigration bill sponsored by Sen. Alan K. Simpson, R-Wyo. The measure is designed to reduce the amount of legal immigration allowed each year and to bolster efforts to curb illegal immigration. The Senate Judiciary Committee is expected to consider the measure soon.

A House immigration bill sponsored by Rep. Lamar S. Smith, R-Texas, would not impose a fee for hiring skilled foreign



PHOTO: ©JEFF CHRISTENSEN-REUTERS

A Senate plan to overhaul immigration laws would be "an absolute disaster."

—William H. Gates III,
Chairman, Microsoft Corp.

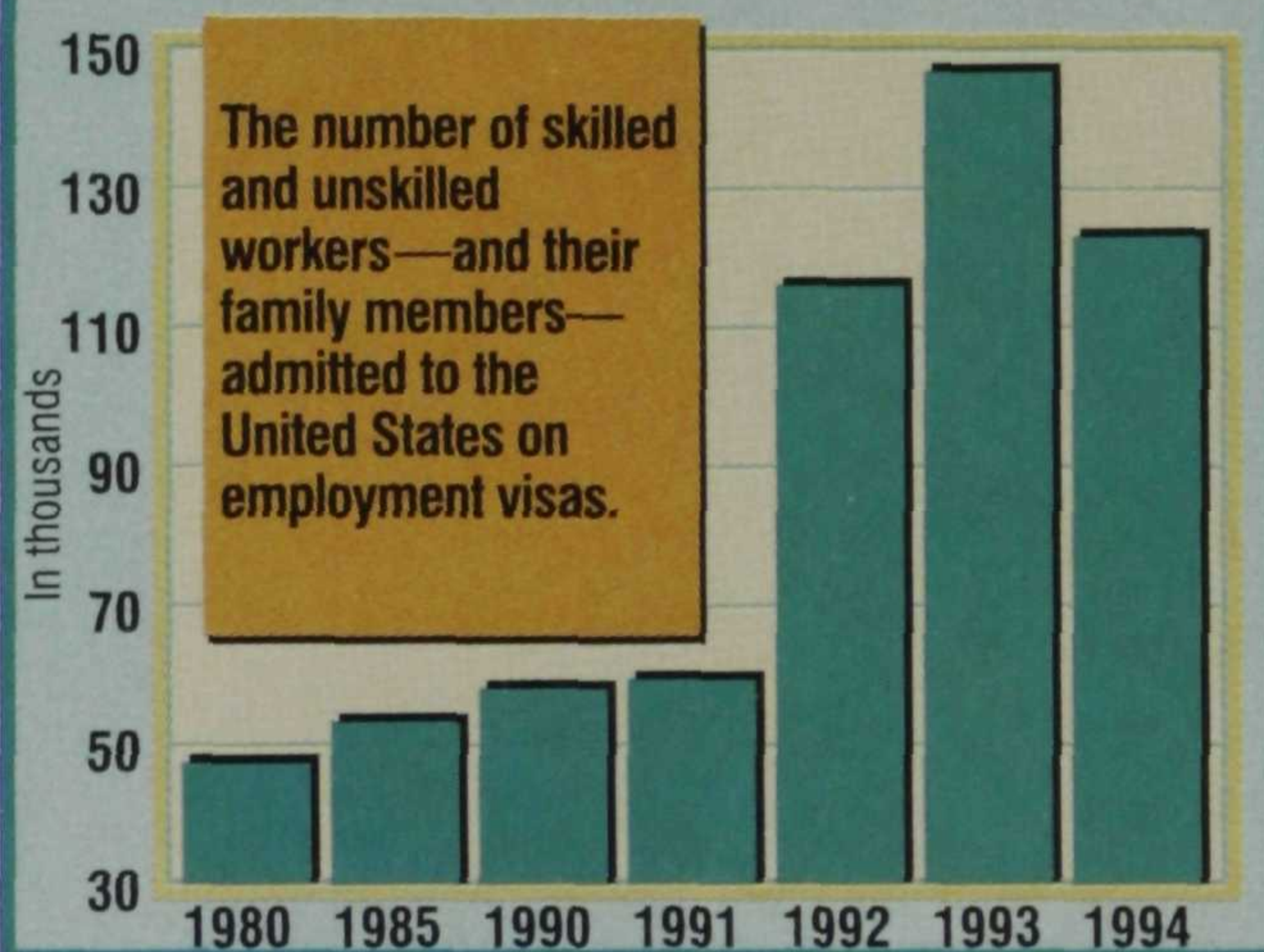
workers; it is scheduled for floor debate in late April.

Overall, the two bills would reduce total legal immigration from the current level of 800,000 a year to about 600,000 to 640,000. The bills also would provide about 100,000 slots annually for the next few years to diminish an immigration waiting list of relatives of those who have immigrated under a 1986 law. In addition, the measures would cut employment-related visas—to 90,000 (Senate bill) or 135,000 (House)—from the current maximum of 140,000 a year and would eliminate the 10,000 visas allowed annually for unskilled workers. The fee plan involves foreign workers in the H-1B category, which provides visas for up to six years.

The Simpson overhaul plan has been criticized by business leaders, including William H. Gates III, chairman of Microsoft Corp. Echoing others in the business community, he has called it "an absolute disaster" and said its passage would lead many companies to take production overseas.

—James Worsham

Employment-Based Immigration



POSTAL RATES

The Ups And Downs Of A Postal Rate Proposal

Almost every business would see its postage costs either rise or fall under a modified rate-overhaul plan issued in late January by the U.S. Postal Rate Commission to encourage mailers to prepare items for cost-saving automated processing.

If the commission's recommended rates are allowed to take effect, bulk mailers' postal rates would drop, provided they "workshare"—the U.S. Postal Service's word for affixing ZIP-coded bar codes to items and presorting them by destination. Rates for small-volume mailers, however, generally would rise under the plan.

The rate commission is an independent body empowered by law to review and adjust rate changes sought by the Postal

Service. Under the unusual postal rate-making process, the rate commission's modifications are subject to approval by the Postal Service's Board of Governors.

The commission's recommendations are in line with a 1995 Postal Service proposal—with two key exceptions: The commission modified significantly the Postal Service's proposed realignment of the second-class rates applied to newspapers and magazines, and it rejected the proposed creation of several "subclasses" of bar-coded bulk mail.

The commission's plan would affect the rates charged for all U.S. mail except first-class letters, whose first-ounce rate would remain 32 cents. Here are some highlights:

First-class mail: Companies that send personally addressed bulk mail, such as customer bills, would see rates drop about 2

cents per ounce if pieces are bar-coded and presorted by destination. Rates would increase by about 2 cents per ounce for presorted items that aren't bar-coded.

Second-class mail: About 800 publications with large, concentrated circulations and that meet bar-coding and other requirements would see their costs drop an average of 3.7 percent. But small-volume periodicals and many larger-volume periodicals would see an average price increase of 3.5 percent.

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—Laura M. Litvan



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Managing Your Small Business

Fostering employee entrepreneurship; protecting against privacy complaints; keeping clients while selling the firm.

By Roberta Maynard

MOTIVATION

Nurturing Part-Timers To Be Entrepreneurs

Motivating part-time workers has become something of an art at Rachel's Bus Co., in Chicago. From the time E. Rachel Hubka, the company's president, started the business in 1989, she has looked for ways to hire good workers and help them develop.

Now, the company's 120 mostly part-time drivers enjoy a benefits package that includes holiday and vacation pay and bonuses for perfect attendance. In addition, they get a chance to develop their own entrepreneurial skills in a way that not only enriches them but also helps the company.

The firm contracts with the Chicago Board of Education to transport children to and from school. Hubka is also building revenue by offering trips for private groups.

She recognized a few years ago that helping her drivers become more professional would enhance the company's image. (Lack of respect from children and their parents was a regular source of employee complaints and morale problems.) Hubka also believed that increasing drivers' professionalism would help Rachel's stand out among its 35 area competitors and would improve the firm's chances of cultivating repeat private-trip business.

To foster a professional attitude, Hubka provides all drivers with business cards. She helps them with their personal appear-

ance and manner, and she teaches them how to talk effectively with customers and ask for their business. She also throws in a powerful incentive for the drivers: a chance to earn more.

Private jobs are rotated among drivers, who get one-third of the revenue from their trips. Drivers who bring in business or are requested by name get an additional 10 percent of the job's invoice.

For her most aggressive driver-entrepreneurs, the revenue from those jobs represents as much as two-thirds of their paychecks. For some, it has turned a \$7,500-a-year job into one that generates more than \$20,000 in income. The company's revenues from private jobs have risen to about 15 percent of total revenues. Hubka wants it to be 25 percent in a few years and 40 percent eventually.

"If I can teach drivers to become more

professional in their dealings with the public, that makes their job easier," Hubka says. "And if they have any interest in becoming entrepreneurs—as I did—this shows them how to do it."



PHOTO: ©ROARK JOHNSON

Professionalism increases her Chicago bus firm's income—and drivers' paychecks—says entrepreneur E. Rachel Hubka.

LEGAL AFFAIRS

Employee E-Mail: Is It Really Private?

With the increasing use of electronic mail and voice mail in the workplace comes the potential for a new kind of friction between companies and their employees—over the privacy issue.

Employees' claims and grievances relating to privacy often stem from employers' monitoring of messages, says Linda Bluso, founding partner of Buckley King & Bluso, a Cleveland-based law firm. Whether the employer is looking for leaks of proprietary information, is monitoring quality or employee activity, or is merely checking on the computer system itself, many employees see it as an intrusion.

"The difficulty is that employees tend

to believe that information on e-mail systems at work [is] private and confidential and not for the eyes of employers," says Bluso. "What's often overlooked by the employee is that the computer system is owned and operated by the company and that [employees'] activities use computer memory and other resources of the employer."

Even so, in the absence of much case law on the subject, prudent employers should balance the privacy of employees with the needs of the company, Bluso says. She recommends that companies do the following to pre-empt problems:

■ Avoid using phrases such as "private" e-mail system, "personal" or "confidential" voice mail, or "personal" password. They create the impression that

these communications are not subject to review by others.

■ The best approach is a succinct written notice included in the firm's employment manual or posted on a bulletin board as well as a message that appears on the computer screen. (Before composing the message, review your state laws on employee privacy.)

■ Periodically remind employees that the computer equipment is company property and intended for business use and that transmissions may be monitored.

In a legal action, says Bluso, the key is whether the employee had a reasonable expectation of privacy when using the system. "Once the employer has regularly delivered these messages, that argument can't be made."

COMMUNICATION

Holding Things Together When Selling A Location

News that one of a business's locations is about to be sold can start a costly exodus of customers and employees. But gymnasium owners and operators Brian and Doris Forchheimer managed to keep all of their members and employees during the many months that they were negotiating to sell one of their two CityFitness gyms in Washington, D.C.

Because the owners pride themselves on delivering quality and personal service and wanted to focus their efforts on one location, their first concern was how to take care of the six full-time employees and 550 members at the gym they were selling; many had been at the location since the Forchheimers started the business in 1990.

The Forchheimers had several offers to buy, but they held out for someone they thought would take a personal approach to running the gym. Although no prospective buyers would commit in writing to retaining the employees, the Forchheimers asked them all to talk with the staff before considering replacing anyone.

As soon as the couple knew that the gym would sell—about 10 months after the sale process began—they sent a letter to members at both locations explaining the situation.

When the sale process dragged on eight months longer, the open communication

helped suppress rumors and quell concerns among employees and members. During those eight months, the revenue stream continued. Then, to ensure a smooth transition, the couple stayed on for another month.

"Communication is the key," says Brian Forchheimer. "We didn't want to sell to just anyone, and we were dead set against closing the gym when we had so many

people who had been coming so long." The new owner agreed to retain all six employees. The two club managers have an open invitation to come to the Forchheimers' remaining club if things don't work out with the new owner.

The couple believes that their efforts and upfront communications also paid off in increased loyalty from the members and employees at their original location. ■



PHOTO: T. MICHAEL KEZA

Communication with employees and clients helped gymnasium owners Doris and Brian Forchheimer smooth the transition when one of their Washington, D.C., sites changed hands.

MARKETING

Networking 101: Seeing And Being Seen

If you have a card file full of names but can't seem to turn those contacts into fruitful relationships, you may want to take a closer look at your networking skills.

"Networking is about being seen consistently," says Ellen Volpe, president of American Business Associates of Long Island, in Farmingdale, N.Y. Volpe runs several networking groups of local business people. "The potential lies in who a person knows and can introduce you to." But there's more to it than collecting business cards. Volpe offers this advice for greater success in the subtle art of networking:

■ Take a long-term view. Understand that networking is not selling. If you're looking for the next order, not a relationship, you'll leave feeling that you haven't accomplished anything. "If the meeting results in a sale, that's great," she says, "but the purpose of networking is to build rapport."

■ Before attending a function, prepare yourself. When the inevitable question arises about what kind of business you are in, avoid a mundane answer such as "I sell copy machines." Develop and practice an

interesting and creative way to describe who you are and what you do. Try describing how you help individuals or companies achieve certain goals, and, if relevant, provide an example of recent work you have done. Such descriptions help people make connections, and that helps them remember you.

■ At receptions or in similar settings, adopt an attitude of host or hostess. Ask people what kind of work they do. By making them feel more at ease, you will feel more comfortable, too. Rather than drift away from them, introduce them to others in the room and start expanding the network.

■ Suppress the tendency to prejudge. Coming to the conclusion—based on a person's appearance or type of business—that he or she can be of no help to you often results in lost opportunities. Effective networking requires an open mind. Even in industries far apart, there can be commonality.

■ Good listening skills allow you to find ways to segue into common-ground areas on a personal or business level. It's worth getting a book or a tape on how to improve those skills.

■ As you begin to develop business through networking, it is important to

demonstrate reliability. Deliver on your promises.

■ Maintain relationships by taking the initiative to call or meet with your contacts from time to time.

"Networking is word-of-mouth marketing, and the activity is cumulative," says Volpe. "A person's network is not always going to bear fruit, but sooner or later it will. What matters is a consistent, patient approach to the activity." ■

NB TIP

Ties That Bind

Strengthen ties to your customers by creating customer user groups, recommends Paul R. Timm, author of *50 Powerful Ideas You Can Use to Keep Your Customers* (Career Press, \$7.99). Many computer stores, for example, offer a place for customers to meet to share ideas about computer products. Even better: Have a knowledgeable employee on hand to demonstrate new products or hold workshops. Home centers and kitchen stores have done this effectively. It not only offers something of value to customers but also provides a way for you to test reaction to new products or services and to watch for changes in consumers' interests and needs. NB

Making It

Growing businesses share their experiences in creating and marketing new products and services.

Nuts About Snack Food

By Janine Latus Musick

Walking, talking vending machines are dispensing healthy snacks in offices and other businesses throughout Missouri, thanks to a company called I.B. Nuts & Fruit Too.

The five-year-old Columbia company delivers pound bags of snack mixes with names like "Ozark Gorp," "Katy Trail Mix," and "Nacho Average Mix" (not your average mix, get it?) directly to workers at their desks. Seven franchises have opened across the state, including one in the country-music boom town of Branson. Last year, I.B. Nuts' revenues hit \$400,000, including franchise fees.

Founder David Hockett started out in 1990 with 18 products—all mixes of nuts,

dried fruits, carob, or chocolate. He created catchy names with a local twist like "Capital Crunch," for a mix marketed in Jefferson City, the state capital; and "Marshall Munch," for the town of Marshall.

Hockett got his nutty idea while delivering packages for Federal Express in Columbia. "I was going in and out of these offices talking with people, and I kept hearing things like, 'These snacks in the vending machines are junk,' or, 'That stinking machine ripped me off again,'" he says. "I thought, 'Boy, if there was a business that would provide nutritious snacks, I'll bet these people would eat it up.'"

After pricing, testing, and collecting the various components of his mixes and setting

up a workstation in his basement, Hockett persuaded business managers to sign agreements allowing his neatly uniformed employees—the walking, talking vending machines—to visit the firms' offices twice a month to sell snack foods desk-to-desk.

"I opened my first route where I had been delivering FedEx, and all of those ladies knew I was coming," he says. "When I took some vacation time and started my business, they were ready and waiting." The snacks cost considerably less per ounce than regular vending-machine fare, according to Hockett. "Plus, you don't have to kick our guys to get your change back."

The only problem was that customers were crunching through their supplies much too quickly for the visits each two weeks to be adequate. Demand rose for a storefront outlet where people could restock their desks, buy snacks for home, and pick up unique Missouri gifts.

Hockett opened a store in Columbia in 1990, and sales there have been steady ever since—except at Christmastime. "Business goes nuts during the holidays," he says. Sales in November were up 98.5 percent

"Business goes nuts during the holidays," says David Hockett, right, whose firm sells snack foods in offices; near the door is delivery man Shane Whittaker.



from the preceding year.

I.B. Nuts products also are sold at Bass Pro's Outdoor World in Springfield—a huge store for hunting, fishing, and other outdoor sports and one of the biggest tourist attractions in the state—and at Bass Pro's second megastore, in Atlanta.

Hockett's Columbia drivers stop at about 400 area businesses. One company e-mails

all employees when I.B. Nuts is in the building; a local bank announces it over the public-address system.

All the franchisees get their snacks directly from the main store in Columbia, where Hockett's 10-person staff mixes, packages, and labels the bulk ingredients.

And the name of Hockett's company? That came at a stoplight when he saw a

Porsche with the license plate "I.B. Flynn."

"I thought, 'What about I.B. Nuts?' I had considered Nuts Over Missouri," Hockett says, "but that wasn't going to work. I was already thinking about expansion."

Janine Latus Musick is a free-lance writer in Columbia, Mo.

Grooming For Success

By J. Tol Broome Jr.

Joe Dudley has just completed a motivational talk at a monthly Dudley Products, Inc., sales meeting. Gathered at the meeting is the 200-member sales force of the Kernersville, N.C., firm, which manufactures ethnic hair-care products and cosmetics. The company's president and CEO moves through the audience, greeting many of the employees by name. It is difficult to tell who is more energized by the encounter—the salespeople or Dudley.

"Mr. Dudley is in charge of the people, and I'm in charge of the things and the money," explains Eunice Dudley, chief financial officer. The Dudleys co-founded the business in 1967. Dudley Products employs 475 people, distributes products in seven countries, and brought in revenues of \$35 million last year.

One of 11 children, Joe Dudley was mistakenly labeled mentally retarded in the first grade because of a speech impediment. Growing up in North Carolina, he says, he struggled through school and had been held back twice by the time he reached the 11th grade.

But with the support of his mother, who told him that "when slow people get it, they've got it," Dudley made it through high school and, later, college. In the process he discovered the value of self-motivated learning.

"When I was in the 11th grade, I decided to help myself and went back and studied materials from first through 10th grades," he says. "Anything you want is in the library."

The Dudleys met in 1960 in Brooklyn while both were selling ethnic hair-care

products part time, door-to-door, for Fuller, Inc. Married in 1961, they eventually settled in Greensboro, N.C., and opened a Fuller distributorship. In 1969 the Dudleys started making their own line of products in their kitchen during a Fuller product shortage. "I wondered if I should go and get a job but decided to make my own job," Dudley remembers.

The Dudleys employed a dual marketing strategy, combining a direct-sales network

quality," says Joe Dudley, 58. "This decision also enabled us to build a national company."

In 1984 they moved the company back to Greensboro. Today the firm manufactures 200 products in an 80,000-square-foot headquarters facility in Kernersville and sells them to more than 30,000 cosmetologists.

Dudley's commitment to his employees is paramount. The company's monthly sales meetings focus not only on product knowledge and selling techniques but also on personal-development principles ranging from building self-confidence to the importance of saving. "We try to get our employees to look within themselves and realize that they decide who they are and who they can become," he says.

The Dudleys' commitment to education and training led them to open Dudley Cosmetology University in Kernersville in 1989, and branches in Greensboro, Charlotte, Chicago, and Washington, D.C. The schools, which have graduated more than 12,000 students, offer a 10-month program for those looking to enter the hair-care business; the Kernersville campus also has an advanced program for experienced cosmetologists. "We are on a mission to do more than just sell products. In the future the needs will increase for hair-care education worldwide," says Eunice Dudley.

The company also operates a travel agency, a convention center, a publishing division, and an inn at the Kernersville

site; all were established to support the hair-care-products division.

While Joe Dudley sets sales-growth goals for the company each year, he is more concerned with leaving a legacy in his industry. "There is no other business like the ethnic hair-care business that African-Americans have as much control over," he explains. "I want to help empower people in this industry while I am here on earth and show them that if you work hard enough and believe in yourself, you can make it in this country."



PHOTO: ©DUANE HALL

Hair-care-products entrepreneurs Joe and Eunice Dudley encourage personal development among their employees.

with their own chain of beauty-supply stores and salons. By 1976 their company had 14 stores and 400 employees.

In 1976 the Dudleys moved to Chicago at the request of founder S.B. Fuller to help run his company. They continued to operate Dudley Products out of Chicago and in 1980 consolidated the two companies under the Dudley name. A decision was made to close the beauty-supply stores and shift the company's focus to manufacturing.

"By making our own products, we would be able to control distribution and product

J. Tol Broome Jr. is a free-lance writer in Greensboro, N.C.

MAKING IT

A Jet-Powered Takeoff

By Michael Barrier

Marine Power, a company based in Ponchatoula, La., "marine-izes" engine blocks. As Marine Power buys them from General Motors, the engine blocks are similar to standard automotive engines but come with some fittings that are specific to marine use; Marine Power modifies the engines further, to make them completely suitable for use in boats.

That modification is a "tricky process," says W.E. "Eddie" Allbright Jr., the firm's principal owner. Marine Power transforms the half-dozen sizes of engine block that it buys from GM into perhaps 500 marine models. They vary on such points as whether they're for use in fresh water or salt, are fuel-injected or carbureted, and so on.

Marine Power's 40 employees build about 3,000 engines a year, up from 200 when Allbright bought the business a dozen years ago, and its revenues in 1995 were around \$12 million. Allbright thinks those revenues will more than double in the next five years—if a new product takes off the way he expects it to.

Allbright was a mechanical engineer, working for a large company in the New Orleans area, when he ran across a "business opportunities" ad in *The Wall Street Journal* that led to his buying Marine Power. "When I bought the business in '84," he recalls, "we were building engines for shrimpers. The shrimpers would come in the front door, and leave at the back door, with an engine in their pickup. It was like a retail business, with three or four college kids in the back, putting engines together."

Allbright was sure that continuing the business in that manner was not an option, given the ongoing changes in engine technology and the growing environmental restraints. "I didn't think I could stay small forever," he says. He decided to enter the recreational market.

He began marketing his first recreational engine through trade shows. "In the beginning," he says, "I couldn't even afford to exhibit." Instead, he talked about the engine to "distributors of some of the well-known names" among recreational engines. He used as a wedge his willingness to customize his engines for the aftermarket, so that someone who already had a boat, and needed a replacement engine, could get exactly what he wanted. Allbright went beyond what the other, much larger marine-engine manufacturers were willing to do—and his

prices were lower, too.

By the time those other manufacturers decided to be more flexible themselves, Marine Power was "a player," Allbright says, and he was seeking customers among boat companies that would use his engines as original equipment. That market "is extremely tough to get into," Allbright says, and he used price as his

Marine Power's revenues have been rising again, and now Allbright thinks that the jet drive, called the X-Stream, will give the company the distinctive product it needs. The differences between Marine Power's engines and those of its competitors are not that great, Allbright acknowledges, but, he adds, "with the jet drive we really have a unique product."

Jets for pleasure boats are not new, but the advantage Marine Power's jet drive offers, Allbright says, "is that we have an extremely large [water] intake, and we can handle a lot of trash. The Achilles' heel of jets is trash; if you take one of the

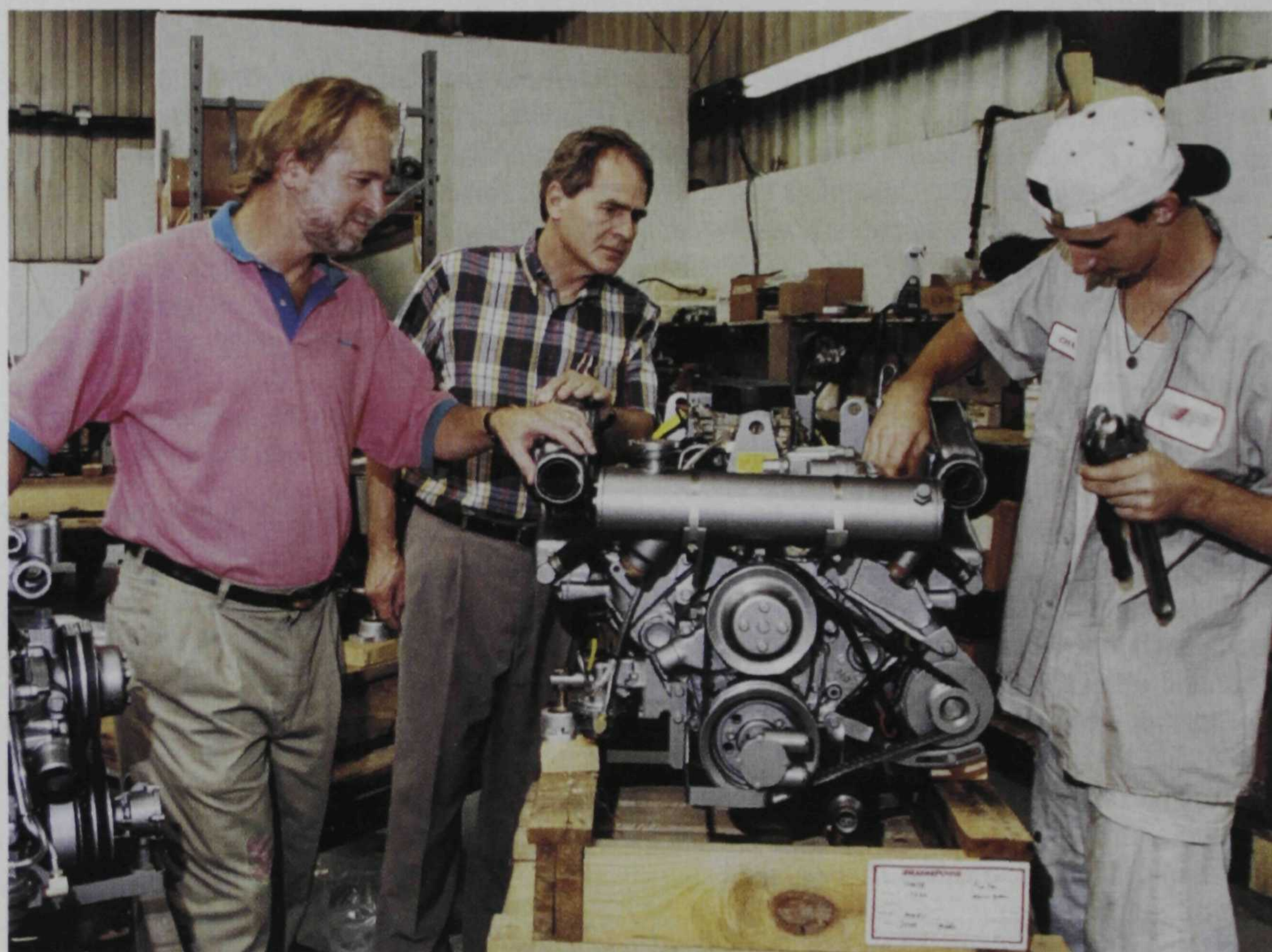


PHOTO: T. MICHAEL KEZA

Engines being "marine-ized" by a worker at their firm for use in water are examined by owner W.E. "Eddie" Allbright Jr., left, and Richard Clemens, CFO/controller.

entree, sacrificing profit at first to establish himself.

Around the same time, in 1992-93, Marine Power put close to \$1 million into research and development, for a diesel engine and a jet drive, and about \$600,000 into tools and equipment needed to build the jet. That combination—high expenses for R&D, plus lower margins on sales to original-equipment manufacturers—"just about sent us down the tubes," says Richard Clemens, the firm's chief financial officer/controller.

It took "a good hard look in the mirror"—plus a recovering economy—to transform Marine Power's fortunes, Allbright says. The company cut overhead sharply, laying off about 10 people. Allbright also took in \$1 million in venture capital early in 1995, although he still has a controlling interest in the company.

high-speed jets and get a couple of leaves in the intake, you've just killed the pump."

Says Clemens: "A lot of people can do the engines; nobody else can do the two [engine and drive] together. We think this is what's going to take us into the stratosphere."

They expect a boat and trailer with the new jet drive to sell for around \$11,000—and to appeal to fishermen in particular. "It'll replace the \$20,000 bass boats, and let people get into some very shallow water," Allbright says.

Looking back, Allbright has no regrets about staking so much on the jet drive. "The strategic reasons for doing it were right, and they're still in place," he says. "I could have stayed in the engine marine-ization business and not had to go through what I went through—but we wouldn't be poised for the growth that we're poised for." **NB**

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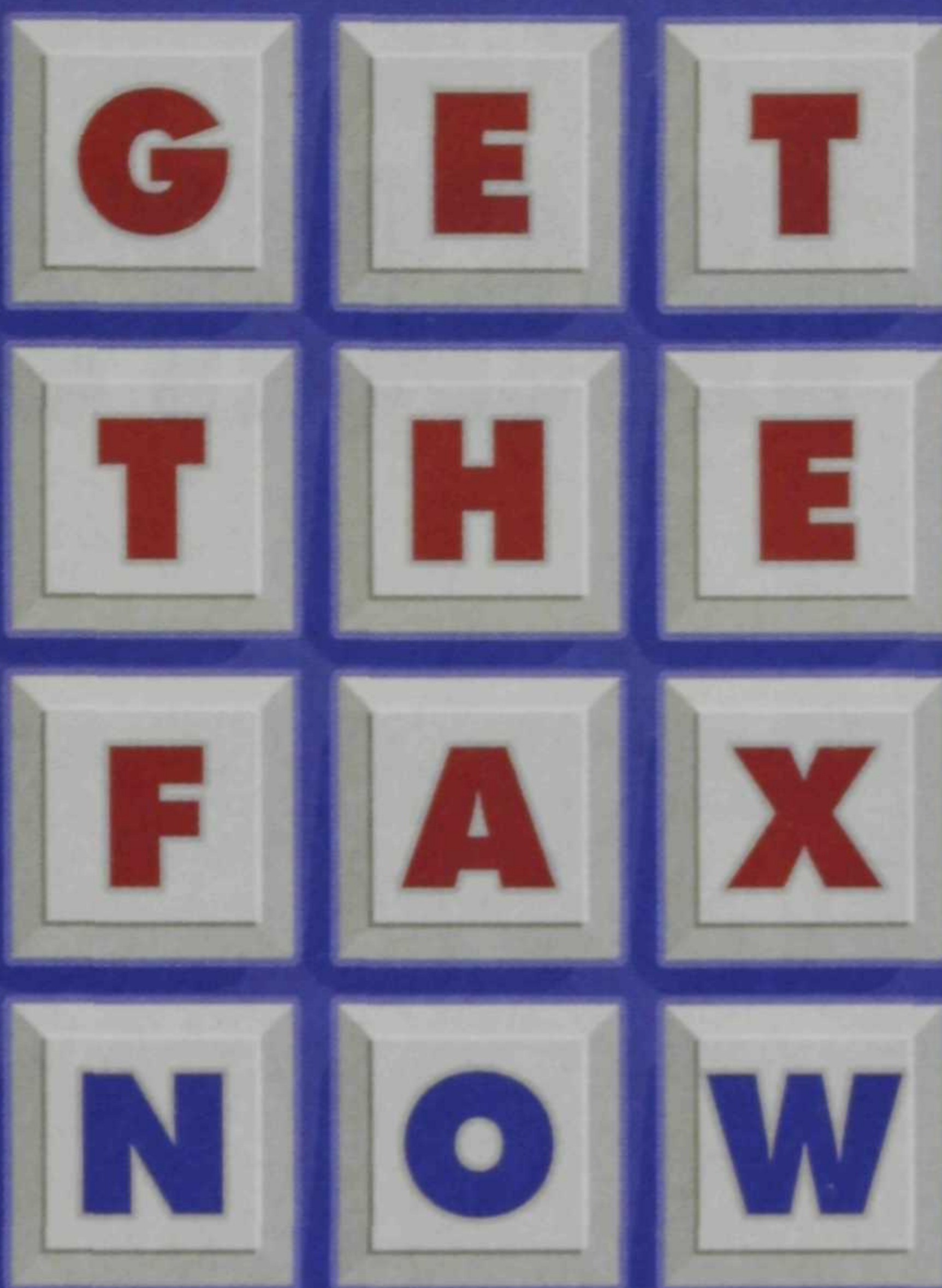
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COVER STORY

Switching To Self-Insurance

By Laura M. Litvan



PHOTO: ©SHAWN SPENCE

Arni Cohen, the owner of seven pizza and sandwich restaurants in West Lafayette, Ind., has been offering health-care coverage to his workers since he opened his first establishment in 1964. To him, the cost is well worth the benefits; medical coverage engenders employee stability in an industry plagued by high turnover.

While stability is the goal, however, risk-taking is his means of shouldering health costs. Years ago, Cohen dropped the safety net of health coverage offered by insurance companies. Instead, he started paying most of his employees' health-care claims out of company coffers—an approach called self-insuring, or self-funding.

A self-funded health plan helps Arni Cohen, owner of a West Lafayette, Ind., chain of pizza restaurants, retain his best employees as well as expand the benefits he can offer them.

Cohen, whose Arni's restaurants employ 220 workers, understood that he was gambling. If his employees' claims were low in a given year, his payouts would be less than the premiums he would have paid. But if several of his workers suffered major illnesses at the same time, he might face a cash-flow crunch.

Nevertheless, he knew he could never lose his shirt. He protected himself by

buying special coverage called "stop-loss" insurance, which takes over the payment of claims that exceed a predetermined level.

For Cohen, self-insuring has paid off. While he doesn't have an exact figure, he says, in the 18 years since he began self-insuring, his company has saved tens of thousands of dollars—compared with the costs of buying a standard health plan.

At the same time, self-insuring has enabled Cohen to tailor his plan to the needs of the 65 full-time employees who participate. He has added dental and vision benefits, and he has also established a wellness program aimed at helping workers who smoke to kick the habit.

Small firms may cut costs by paying employees' health claims directly, but they should carefully weigh the risks of going it alone.



"We feel like basically we're in charge," Cohen says, referring to types of health coverage offered to his employees. "It's like being our own boss. Decisions are ours to make, not an insurance company's."

Self-insuring is not always a positive experience for companies, however. Some small firms that have made the switch have seen their costs increase. Even at Arni's, two "disastrous years" of high claims in the mid-1980s left managers wondering if it had been wise for the company to go it alone, says Nancy Conners, the firm's office manager. "But we've learned that if you want to try it, it has to be a long-term commitment," she says. "You're kind of playing the averages."

Among small companies, Arni's was something of a pioneer when it made the switch in 1978. At that time, it was generally believed that the approach could work only in large companies, where the risk of high claims could be spread among hundreds—or even thousands—of employees.

Over the years since then, many other business owners have decided to self-insure. In fact, companies flocked to such plans during the past decade as health-care costs soared. Between 1985 and 1994, for example, employers' average cost of health and dental insurance per employee increased 85 percent, to \$2,757, according to statistics compiled by the U.S. Chamber of Commerce. During the nearly identical period—1985 to 1995—employers who were self-funding their companies' health plans grew to 57 percent from 39 percent, according to broad-based surveys by Hay/Huggins, a Philadelphia-based benefits consulting firm. (See the bar graph on this page.)

While research focusing exclusively on small companies has been limited, it too shows a migration toward self-insurance. According to the U.S. Bureau of Labor

Statistics, 28 percent of employees in 1990 who had medical benefits and worked at establishments with fewer than 100 workers were in self-funded plans. That share rose to 32 percent in 1992, the most recent

and not subject to a crazy quilt of state regulations. In effect, the law blocks states from regulating all self-insured plans, whether the company employs 10 workers at one site or 10,000 workers in several states.

By insulating self-funded plans against state regulation, ERISA has made those plans potentially less costly than insurance companies' plans for two reasons:

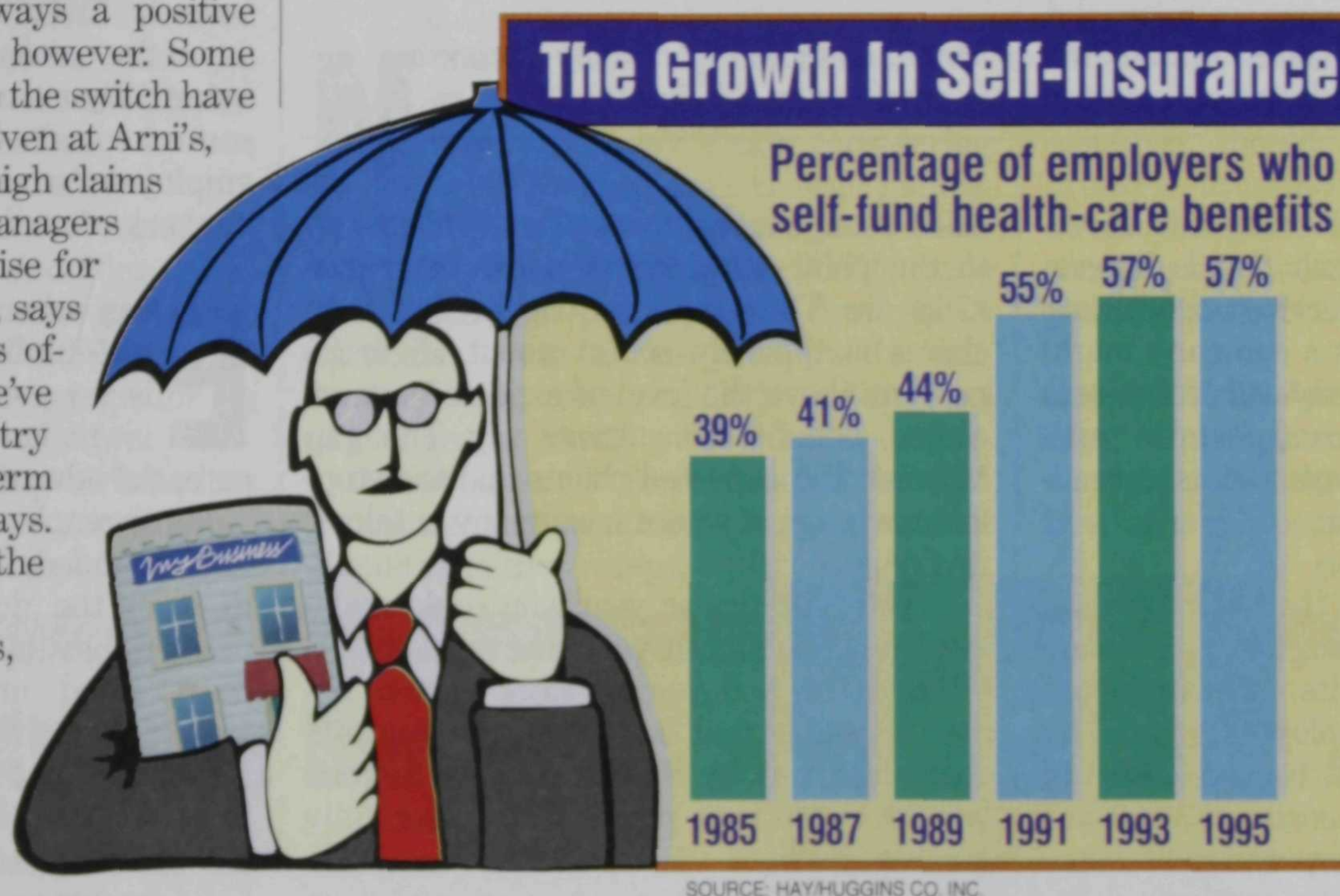
First, self-insured companies do not have to pay state insurance-premium taxes, typically 2 percent, or other state taxes to help cover the costs of the uninsured. These taxes are routinely applied to health plans sold by insurers.

Second, self-insured plans are not subject to state laws requiring insurance carriers to include certain benefits in their plans. Many states have adopted such mandates, ranging from child immunizations and treatment for mental illness to hair transplants and coverage for herbal medicine.

Self-insured firms can also save in other ways. Insurers build a percentage into their premiums for paper handling. Firms that fund their own plans typically pay someone else to handle the paperwork at a lower cost.

Over time, the exemption from state taxes and benefit mandates and the savings on administrative costs can enable self-insured firms to achieve average annual savings of about 5 percent—sometimes much more—over the cost of insurance-company premiums, says Mike Carter, senior vice president of Hay/Huggins.

But just as important as cost savings is the ability to limit risks under a self-funded plan. Beginning in the mid-1970s, insurance



year for which such figures are available.

"Employers, under the present scheme of health care in America, are the payers of most medical bills," says Carlton Harker, executive director of the Self-Funding Academy, a professional association based in Winston-Salem, N.C. "They realize that if they are going to pay the bills, they will want to have as much control over those bills as possible."

Although control is a powerful incentive, self-insurance could not have flourished without the protective shield of the Employee Retirement Income Security Act of 1974. ERISA regulates private pension plans and also provides a federal regulatory framework for self-funded health plans.

ERISA's health-insurance provisions were intended to enable large companies operating in more than one state to create plans that would be uniform in all locations

COVER STORY



PHOTO: ©PATRICIA CORDELL

Unexpectedly high health claims forced James Meier, co-owner of Herzog-Meier, a Beaverton, Ore., car dealership, to reverse his decision to self-fund.

companies began to offer stop-loss coverage. It comes in two forms. One is "aggregate" coverage, which places an overall cap on the amount of claims a company might pay in a given year and pays all of the costs above that cap. The second form is "specific" coverage, which pays claims exceeding a cap for each worker.

Self-insuring is not the best approach for every employer, however. Many benefits consultants warn that once the number of employees covered by a plan drops below 50, it becomes hard to forecast annual claims costs. With fewer workers among whom to spread risks, some say, one or two illnesses can suddenly make a big difference.

All small firms should consider funding their own health-care plans only if they have strong assets and cash flow, says Steve Stucky, president of S.P. Stucky Co. Inc., a West Lafayette, Ind., firm that offers stop-loss underwriting and benefits consulting. "You need a lot of revenue and a lot of assets to back up the promises you're making to your employees and their dependents," he says.

The biggest mistake some employers make when they consider self-insuring, Carter says, is to focus entirely on the potential savings from a year of low claims, since they retain the unspent reserved funds. Instead, they need to see self-funding as a long-term strategy in which good and bad years should average out in the employer's favor. Also, they need to examine whether they can handle "maxing out"—handling the worst-case scenario.

In such a scenario, a company fails to set

aside enough money to pay health claims up to the point at which stop-loss insurance kicks in. The stop-loss trigger for total claims is typically set at about 15 to 25 percent above the level of expected annual claims, benefits consultants say. The gap between the expected claims and the stop-loss coverage is where a company is taking its financial risk.

"In any particular year, you could make out like a bandit, but you have to be able to tolerate the bad years," says Carter. It's quite possible that in a bad year the total costs incurred by a company will exceed what it would have paid if it had been fully insured, he says.



PHOTO: ©STEPHEN REED

That's what happened to Herzog-Meier, a Beaverton, Ore., car dealership. It switched from an insured plan to a self-funded plan in 1989. In 1993 and 1994, major illnesses among several of the 115 covered employees drove costs higher than expected. In both years, the firm had not set aside enough money to pay all the claims, and it faced cash-flow problems when it had to dig into other funds to pay bills.

In 1994 alone, three unanticipated illnesses, plus many other small claims, required the company to spend \$192,000, the point at which aggregate stop-loss coverage took over. Premiums for stop-loss coverage and payments to an outside administrator drove the cost of the firm's self-funded plan to \$280,000 that year.

A risk broker helped the company's managers decide on a fully insured Blue Cross/Blue Shield plan last year that lowered the dealership's annual health-care costs to \$190,000. Co-owner James Meier says the company is more comfortable being fully insured again, although, to help control costs, it has been forced to require employees to use only the services of a small network of medical providers.

Even when an employer switches to self-funding and saves money, there is no guarantee that the courts or lawmakers won't later weaken the potential advantages of the arrangement.

For example, last year the U.S. Supreme Court handed down a decision that appears to open the door for states to tax self-insured health plans. In April 1995, the court ruled unanimously in *New York Conference of Blue Cross and Blue Shield Plans et al. vs. Travelers Insurance Co.* that New York can place a surcharge on hospital bills paid by self-insured companies. The

court said the tax's economic impact on self-insured plans was indirect and therefore was not in conflict with the federal regulatory preemption under ERISA.

Many employment-law attorneys expect other states will try to tax self-funded plans. "I think everybody anticipates more legislative activity on the part of states and more litigation to clarify things," says Russell Greenblatt, a partner with the Chicago firm of Katten, Muchin and Zavis.

Meanwhile, health-insurance reforms could move to the front burner on Capitol Hill this year. Among other things, some bills

A high threshold for stop-loss coverage could force owners Frank James Campo and Patti Campo to end self-funding at their company.

would make fully insured plans more attractive to small firms. (See the story below.)

It's at the state level, however, that debate over whether to tighten regulation of self-funded plans is expected to play out in 1996.

In some states, regulators want to mandate the levels of stop-loss coverage that small companies must purchase to qualify as self-insured.

Small firms in some states buy stop-loss coverage that kicks in when claims from any one individual in a calendar year top \$250 or \$500, says David Randall, deputy superintendent of the Ohio Department of Insurance. As a result, he says, employers assume little financial risk while they avoid state regulation.

Currently, 21 states have minimum levels at which stop-loss coverage can take over, and many more could set their own levels. Last year, the National Association of Insurance Commissioners (NAIC) drafted a model regulation stipulating that an employer would have to pay at least \$20,000 per individual in claims before stop-loss coverage could pick up the rest.

Such a requirement could force C&W Underwriters Inc., an Alexandria, La., property and casualty insurance agency, to drop its self-funded plan and return to regular, insurer-provided coverage for its 14 employees.

In July 1994 the company switched to self-insurance largely because it could limit risk for any individual's illness at \$5,000,

says Frank James Campo, who co-owns the firm with his wife, Patti. Campo has multiple sclerosis, and several other employees have had costly conditions. Campo says he would not want to expose the company to \$20,000 per individual in claims, as advocated by the NAIC.

If states raise their stop-loss requirements, Campo says, "a lot of small businesses will be out in the cold. It would be devastating to us."

Meanwhile, the market for commercial health-care insurance appears to be improving a bit, giving small employers more incentive to buy plans from insurance companies. Stiff competition among carriers and the increased use of managed-care networks of providers have helped hold down costs.

None of these developments, however, should necessarily deter a small company from considering self-insurance, says George Pantos, chief lobbyist for the Self-Insurance Institute of America, a Santa Ana, Calif., trade association that promotes self-funding. In particular, state efforts to regulate self-funded health plans are likely to face legal challenges, he says.

Before a small firm switches to self-insurance, say health-coverage experts, it should take these steps:



Start With Objective Advice

The first thing an employer must do is gather data that could help an outside analyst determine whether self-funding or fully insuring is the better approach, says Jim Kinder, executive vice presi-

dent of the Self-Insurance Institute of America. Key information, he says, includes a company's total annual health-care costs for the past two or three years, a list of benefits it hopes to offer, and the amount of money it could set aside each month for claims.

Next, go to a benefits consultant or an independent risk broker, who should be able to examine all the options objectively and make recommendations.

Be mindful that some risk brokers are paid commissions from insurance carriers and thus might be inclined to recommend full coverage, says Bret Connors, president of Connors and Associates, an independent risk brokerage in South Haven, Mich. The employer should at least know where a broker's affinities lie before taking any advice, he says. "You really need to find someone who will unequivocally look out for your interests."

Find An Outside Administrator

Most companies contract with a third-party administrator (also called a TPA) or with an insurance company to handle routine claims paperwork. The relation-

On The Legislative Burners

With a single piece of legislation, Congress could tip the scales in favor of either self-funded or fully insured health-care plans. Here are some pending proposals:

■ Maryland, Minnesota, New York, Oregon, and Washington are expected to ask Congress to grant them waivers from the Employee Retirement Income Security Act of 1974 (ERISA), which prevents states from regulating self-funded plans. States with waivers could begin to tax self-funded plans.

■ Legislation co-sponsored by Sen. Nancy Kassebaum, R-Kan., and Sen. Edward M. Kennedy, D-Mass., is geared toward making it easier for small companies to buy and keep health-insurance coverage. The bill, S. 1028, would require insurers to sell plans to anyone seeking to buy group health coverage. It would also require insurers to renew the coverage.

Insurers could continue to set the basic

terms and conditions of the plans they offer, but they could not base requirements on health status or past claims experience.

The bill would also set a maximum waiting period of 12 months for coverage for persons with pre-existing conditions and would assure job-to-job portability of benefits.

The Senate Labor and Human Resources Committee has approved the legislation, and Rep. Marge Roukema, R-N.J., recently introduced a companion bill, H.R. 2836, in the House.

■ Rep. William M. Thomas, R-Calif., has introduced a bill, H.R. 1234, that contains a provision that would bar employers with fewer than 50 workers from having self-funded plans. The legislation is one of two bills introduced by Thomas that have some insurance-reform goals similar to the Kas-

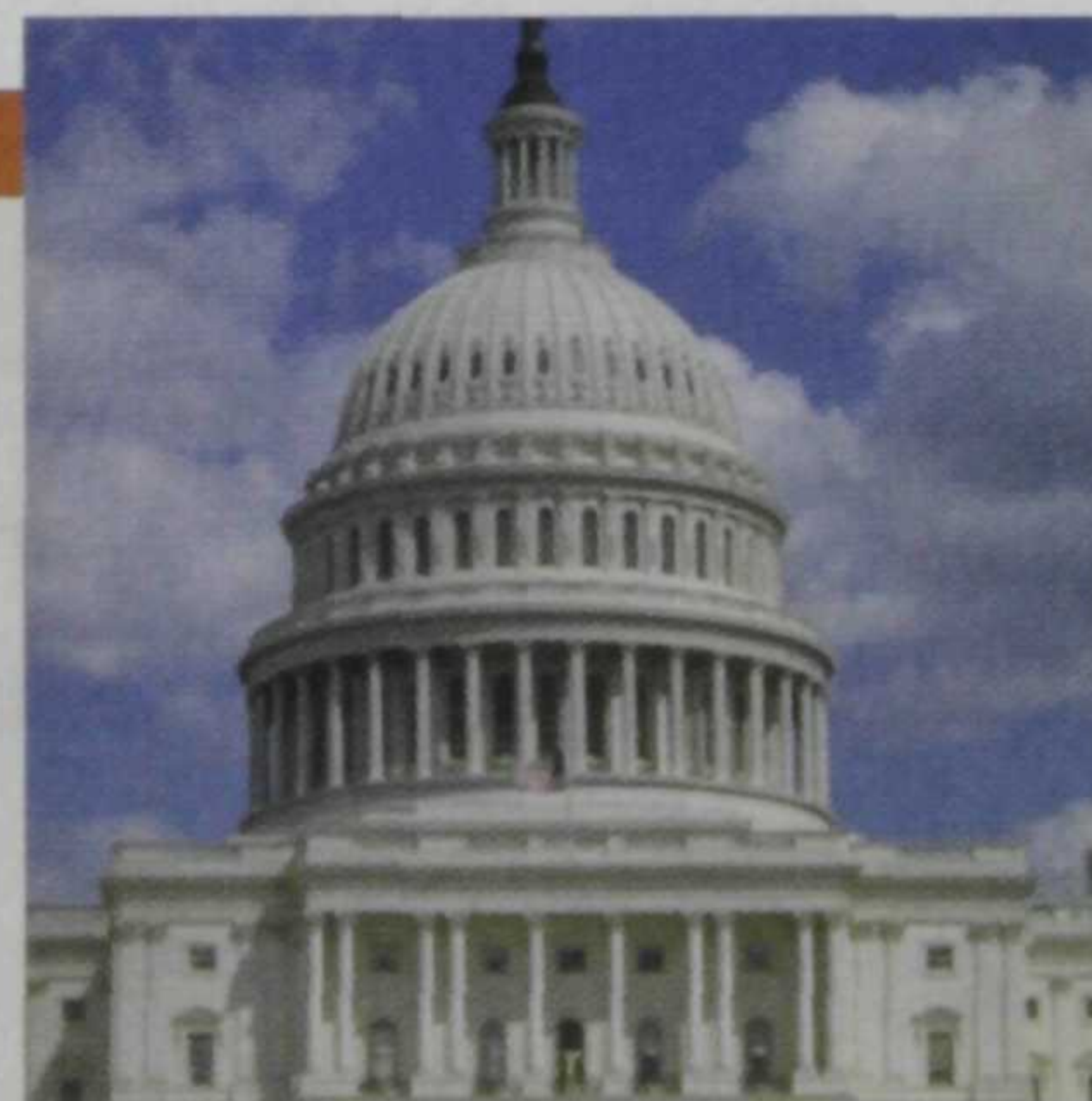


PHOTO: T. MICHAEL KEZA

sebaum-Kennedy bill. Thomas' bills are pending in the House Ways and Means Committee.

■ Legislation introduced by Reps. Harris W.

Fawell, R-Ill., and William F. Goodling, R-Pa., would extend ERISA's state-law pre-emption to groups of employers who pool their risks in a single health-care plan. These plans, called multiple-employer welfare arrangements, or MEWAs, would qualify for the ERISA pre-emption whether they were fully insured or self-funded.

The legislation, H.R. 995, would also require guaranteed renewal of health-insurance policies and would limit exclusions for pre-existing conditions for both self-funded and fully insured plans. The legislation, which has broad-based business support, is pending in the House Economic and Educational Opportunities Committee.

COVER STORY



PHOTO: ©JIM STRATFORD—BLACK STAR

Good communication with third-party administrator Ben N. Yeager helps her company's self-funded plan work smoothly, says R.L. Dresser Inc. corporate secretary Shirley Irwin.

ship with that outside administrator is crucial to the plan's success. Slow processing of claims can create headaches for an employer—and for employees as well.

On the flip side, a TPA who is quick to act and is well-versed in the workings of a self-funded plan can greatly reduce an employer's involvement. Take the case of R.L. Dresser Inc., a self-funded Raleigh, N.C., company that installs acoustical ceiling and floor tiles. Shirley Irwin, the company's internal insurance administrator, simply collects employee claims and forwards them to her TPA firm.

The firm's staff processes them and

resolves any disputes Irwin may have over charges from a provider. The outside firm has access to a special trust fund the company established as a reserve to pay provider bills, and the TPA writes checks from that fund to pay each claim.

The TPA also provides reports detailing where Dresser's health-care dollars are being spent and advises Irwin on changes to rein in costs. Among other things, the TPA steered her toward a managed-care network to help reduce expenses. "It's so important to us that we work well together [with the TPA]," Irwin says. "They are very efficient."

Examine Risk-Pooling

In some instances, small companies can pool their risks, forming one much larger self-funded plan.

For example, about 600 employers—most of them small firms—are participating in a self-funded group plan in California through an Irvine-based agricultural association, the United Agribusiness League. Each employer pays a set fee each month into a trust fund established by the league, which offers participants a range of negotiated health-care services from providers.

Such plans, called multiple-employer welfare arrangements, or MEWAs, were once more common, but their popularity has diminished. In the early 1980s, many small companies fell prey to poorly administered MEWAs that collapsed when premiums failed to keep up with claims.

In 1983, Congress amended ERISA to clarify that states can regulate MEWAs. Since then, some states—including Texas and California—have imposed restrictions. The new rules include requirements that rates for small firms fall within an established range. Under the pressure of heavy oversight, many MEWAs have gone out of business.

Bill Goodrich, president of the United Agribusiness League, says small employers who want to join self-funded MEWAs can take some precautions to ensure the plans are well-run. In particular, he says, a MEWA that is connected with a well-known trade association is most likely to be on the up and up.

In addition, MEWAs must file annual financial reports with the U.S. Department of Labor; the filings are on the public record and can provide a wealth of information about a plan's viability, he says.

Consider Stop-Loss Coverage

When a company buys stop-loss coverage, an actuary first estimates the employer's likely claims expenses in the coming year. Aggregate stop-loss coverage—the cap on total claims—is typically set by carriers at about 125 percent of anticipated claims.

For specific coverage, which caps expenditures on any individual, no consensus has emerged on how much an employer should spend before stop-loss kicks in. However, Carter of Hay/Huggins recommends that the individual stop-loss figure should not exceed 20 percent of the company's estimated total claims.

For instance, when estimated total claims come to \$100,000, the individual stop-loss cap should be no more than \$20,000. A company that must exceed that level to afford stop-loss insurance may not want to self-insure, says Carter.

Companies can negotiate two important provisions—in the form of riders—as additions to their stop-loss insurance policies,

For More Information

The following resources can help you learn more about self-funding of health-care coverage:

The Self-Insurance Institute of America Inc. (SIIA), a Santa Ana, Calif., trade association for the self-insurance industry, offers *Lowering Your Employee Health Benefit Costs Through Self-Funded Plans*, a free, 11-page booklet about the concept of self-funding.

The group also offers a free detailed questionnaire that can be used in evaluating administrators who might be hired to help process claims.

Through an offshoot organization, the **Self-Insurance Educational Foundation Inc.**, the SIIA also sells several research briefs on self-insurance topics for \$12.50

each. Call the SIIA at (714) 261-2553 for more information.

The International Foundation of Employee Benefit Plans, in Brookfield, Wis., has published an 800-page book, *Self-funding of Health Care Benefits*, that details the many considerations for a self-funded plan. The book costs \$80, plus \$8 for shipping and handling. To order, call (414) 786-6700.

The U.S. General Accounting Office recently produced a report examining the trend toward self-funding. To order the July 1995 report, *Employer Based Health Plans: Issues, Trends and Challenges Posed by ERISA*, call (202) 512-6000. The first copy is free; additional copies are \$2 apiece.

says William M. Bennett, executive vice president of VASA Brougner Inc., an Indianapolis-based provider of stop-loss insurance.

One provision, known as a "monthly accommodation rider" or a "monthly aggregate," protects an employer if there are a lot of high claims early in a year before enough money has been set aside to cover them. The stop-loss insurer will advance funds to cover the claims.

The other provision is a "terminal-liability rider." It protects a company that switches back to being fully insured. It requires the stop-loss carrier to continue paying claims incurred before the switch but not filed by employees before the year ended.

Decide How To Fund The Plan

Under ERISA, an employer must keep all employee premiums paid to a self-insured plan in a fund, known as a 501(c)(9) trust because of the section of the federal tax code where the trust's rules are spelled out. While companies are not required to put their share of payments into the trust, many self-insurance experts advise that businesses do so.

Using this approach has several advantages. First, all contributions are tax-deductible, and there is no tax on interest that accrues, says Ron Woods, chief executive officer of HealthCare Solutions Inc., a third-party administrator in Muskogee, Okla. Second, company managers are prevented from using the funds for other purposes, which protects the plan if the company falls upon hard financial times.

To fund the plan, many small companies simply divide their expected annual claims costs by 12 and make a monthly deposit into a trust. But Kinder of the Self-Insurance Institute suggests a more conservative approach. In a plan's first few years, he advises, a small firm should deposit enough money to cover claims as if they were expected to reach all the way to the level where aggregate stop-loss coverage would kick in. The employer would then be fully shielded from the unexpected, he points out, and would simply retain any unused funds for future use.

Keep Employees Fully Informed

When a company self-insures, workers may notice little if any difference. But that's no reason to keep employees on the sidelines.

Some small companies say that their workers reduce their use of unnecessary care once they are made aware that the company—not an outside insurance company—is paying the tab.

In West Lafayette, employees at Arni's restaurants have also received some education about self-insuring—not only to make



sure that they know the company is self-funded but also to assure them that the company is financially capable of paying claims. Cohen held an initial meeting with employees years ago to explain the concept, and workers get periodic updates about the plan in their paycheck envelopes.

The whole purpose of self-insuring is simply to find a more-flexible and affordable way to offer workers health care in the first place, Cohen says.

And such a plan can fulfill the purpose of attracting and retaining a reliable work force only when workers are confident that the bills will be paid.

"Health care is the most important benefit we offer—and the most expensive," Cohen says. And because health-care benefits are also an imperative if a company is to be competitive, Cohen says he expects more small businesses will decide to self-insure. **NB**



To order a reprint of this story, see Page 64. For fax copy, see Page 35.

Are You Ready To Self-Fund?

Carlton Harker, executive director of the Self-Funding Academy, a professional association based in Winston-Salem, N.C., says you're probably ready to self-fund your health benefits if you can put a check in each of these seven boxes:

- ☐ **1.** We have at least 50 employees among whom we can spread the risk of high claims, or otherwise feel we have the assets to withstand some unpredictability year-to-year for claims. We are financially able to withstand an occasional year when employee health-care claims may be higher than anticipated.
- ☐ **2.** Our top managers are comfortable leaving behind the month-to-month cost stability of a fully insured plan and are prepared to withstand more volatility under a self-funded plan.
- ☐ **3.** We want to self-fund because we are committed to the idea of being in greater control of our benefits offerings and their costs. Our motivation isn't simply to pick up some minimal savings that can come from being self-funded, such as escaping the state premium tax an insurer might charge us.
- ☐ **4.** We have found trustworthy partners to help us handle the plan. These include a consultant or risk broker who can help us objectively examine whether to be self-funded or fully insured, an outside firm to handle administration of benefits, and a stop-loss-insurance carrier who can sell us affordable coverage.
- ☐ **5.** We have purchased stop-loss coverage to insure us against the years when we will have a high level of unanticipated claims. We have coverage against losses stemming from any one person's illness, known as "specific" coverage, as well as "aggregate" coverage, which protects us against an overall level of annual claims that is higher than anticipated.
- ☐ **6.** We are aware that we have many options under our plan. We know that we can pay the company's share of employee health claims as they come in, or we can set aside a fixed amount each month in a trust fund. We also know that under a self-funded plan, we may direct employees to use a managed-care network of doctors and hospitals, or let them choose any health-care provider.
- ☐ **7.** We have thought through any concerns our workers might have about self-funding. We are ready to explain the change to them thoroughly and to answer any questions they may have. If we have a union, we have met any contractual obligations we have to involve the union in the process.

LEGISLATION

Congress Faces Hurdles To Action

Regulatory reform is the main goal for business, but the election year and budget battles could get in the way.

By David Warner



PHOTO: © SANTA FABIO—BLACK STAR

Metal-castings manufacturer Scott Holman is hopeful that Congress will consider bills important to business, such as legislation to reform the regulatory process.

Business owners are still hoping that the Republican-led Congress will address their top priorities this year despite the distractions of continued budget wrangling and election-year politics.

Topping business's wish list are regulatory reform, pension simplification, revisions in independent-contractor rules, tax cuts, tax-system reform, and repeal of the Davis-Bacon prevailing-wage law.

Studies have shown that regulations cost businesses more than \$600 billion a year. Consequently, "regulatory reform is absolutely critical to business," asserts Scott Holman, president and chief executive officer of Bay Cast, Inc., and Bay Cast Technologies, both in Bay City, Mich. The two companies, which have 75 workers combined, manufacture metal castings for tool dies and other machinery.

But Holman—and small-business people in general—could be disappointed, as the legislation they seek may prove elusive.

Norman J. Ornstein, an expert on Congress and a resident scholar at the American Enterprise Institute, a public-policy think tank in Washington, D.C., says, "Republicans badly need a record of accom-

plishment on which to run for re-election," but he notes that "it's always difficult [to pass legislation] in an election year."

And 1996 is no run-of-the-mill election year. Disagreements between the White House and the ruling Republicans in Congress—and even between ideological factions in both the Democratic and the Republican parties—have stalled much of the ambitious legislative agenda that helped the GOP capture Congress in 1994.

The 1996 congressional calendar and the continuing disagreements over plans to balance the federal budget provide little time for legislating or for lawmakers to get back home to campaign for re-election.

While many House and Senate incumbents have announced they plan to retire, 33 Senate seats and all 435 House seats—in addition to the presidency—will be up for grabs in November.

"There's obviously much work that needs to be done," says Rep. J.C. Watts, R-Okla., one of the leaders in the freshman class of the 104th Congress. It was Watts and his 72 fellow Republican freshmen elected to the House in November 1994 who helped put

the GOP in the majority in the lower chamber for the first time in 40 years. They also were instrumental in pushing through an aggressive, 10-point legislative agenda—the Contract With America—and legislation to balance the budget by 2002.

The contract called for, among other things, reform of the regulatory process, the welfare system, and the legal system, and it advocated a reduction of the capital-gains tax and reform of the estate, gift, and alternative-minimum taxes.

But only a small part of that agenda made it through the Senate in 1995, and budget talks with a defiant White House have now dragged on for six months.

The GOP budget plan approved by Congress—and then vetoed by Presi-

dent Clinton—called for reducing federal spending by \$960 billion and cutting taxes by \$245 billion by 2002. As of mid-February, no budget deal had been reached, and other issues were taking a back seat to the fiscal fight.

"As long as the budget is on hold," says Ornstein, "the rest of the agenda [will have] great difficulty overcoming the inertia."

Still, the House will move forward in 1996, according to the office of House Majority Leader Richard K. Armey, R-Texas, who helps formulate the Republican agenda and schedules floor votes on legislation in the House. The House is expected to consider, among other measures, a new farm bill similar to one approved 64-32 by the Senate in early February. Both bills would allow farmers to plant crops free of government restrictions and would eliminate federal agricultural subsidies on grains, oil seeds, and cotton.

The House also expects to take up immigration-reform legislation and bills to reauthorize and fund various government programs, including the controversial Superfund hazardous-waste-cleanup law. In addition, House leaders could schedule for

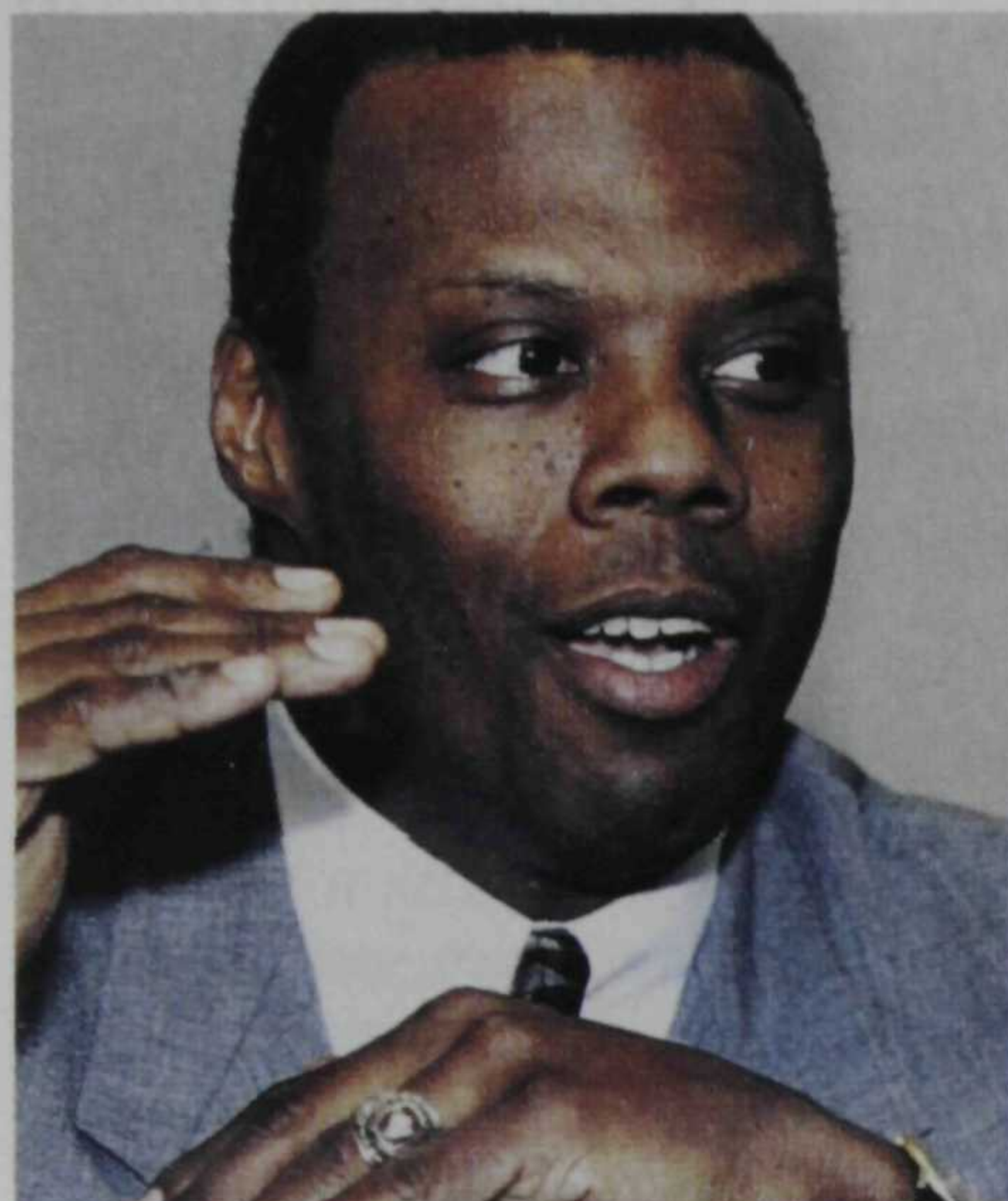


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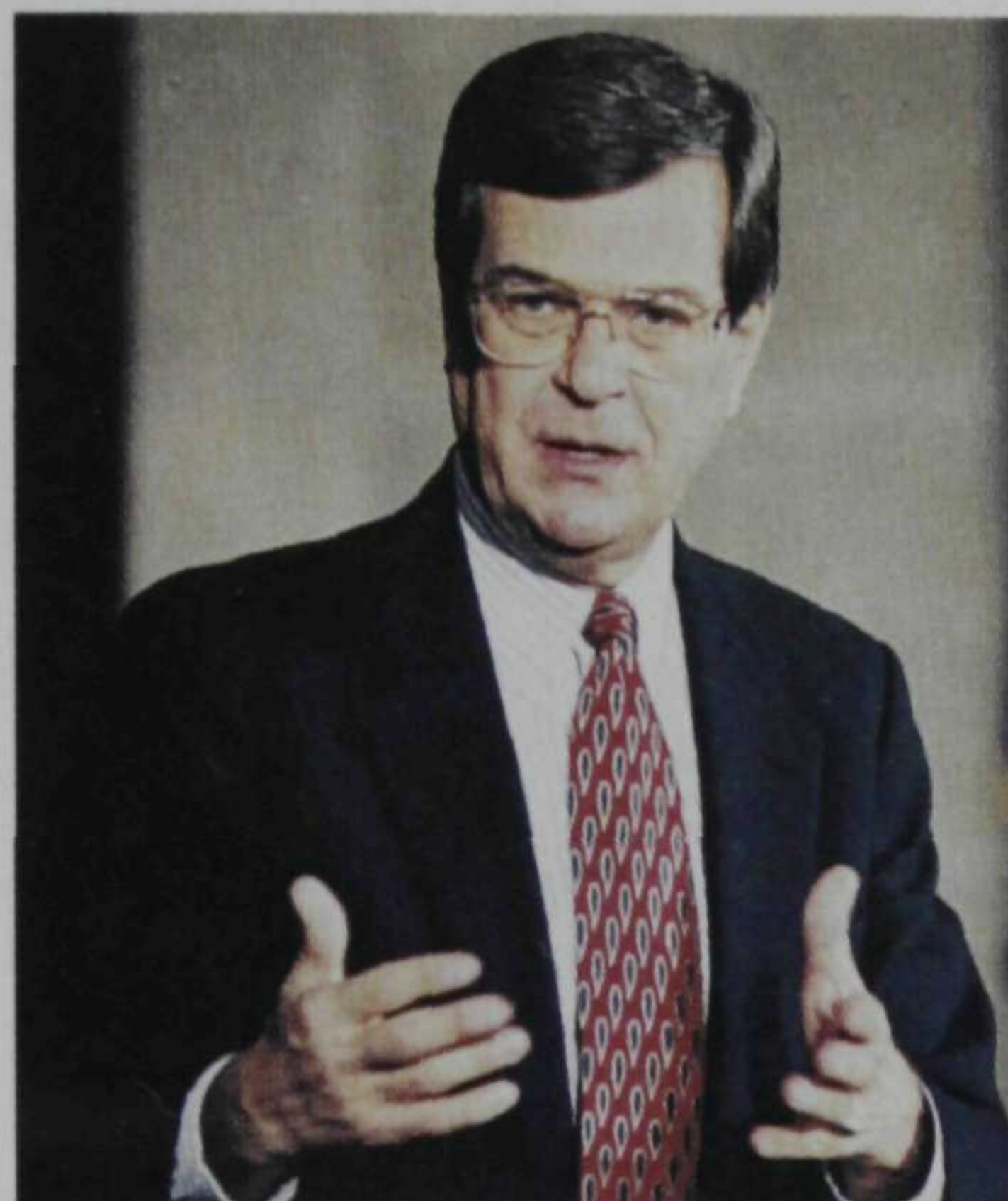


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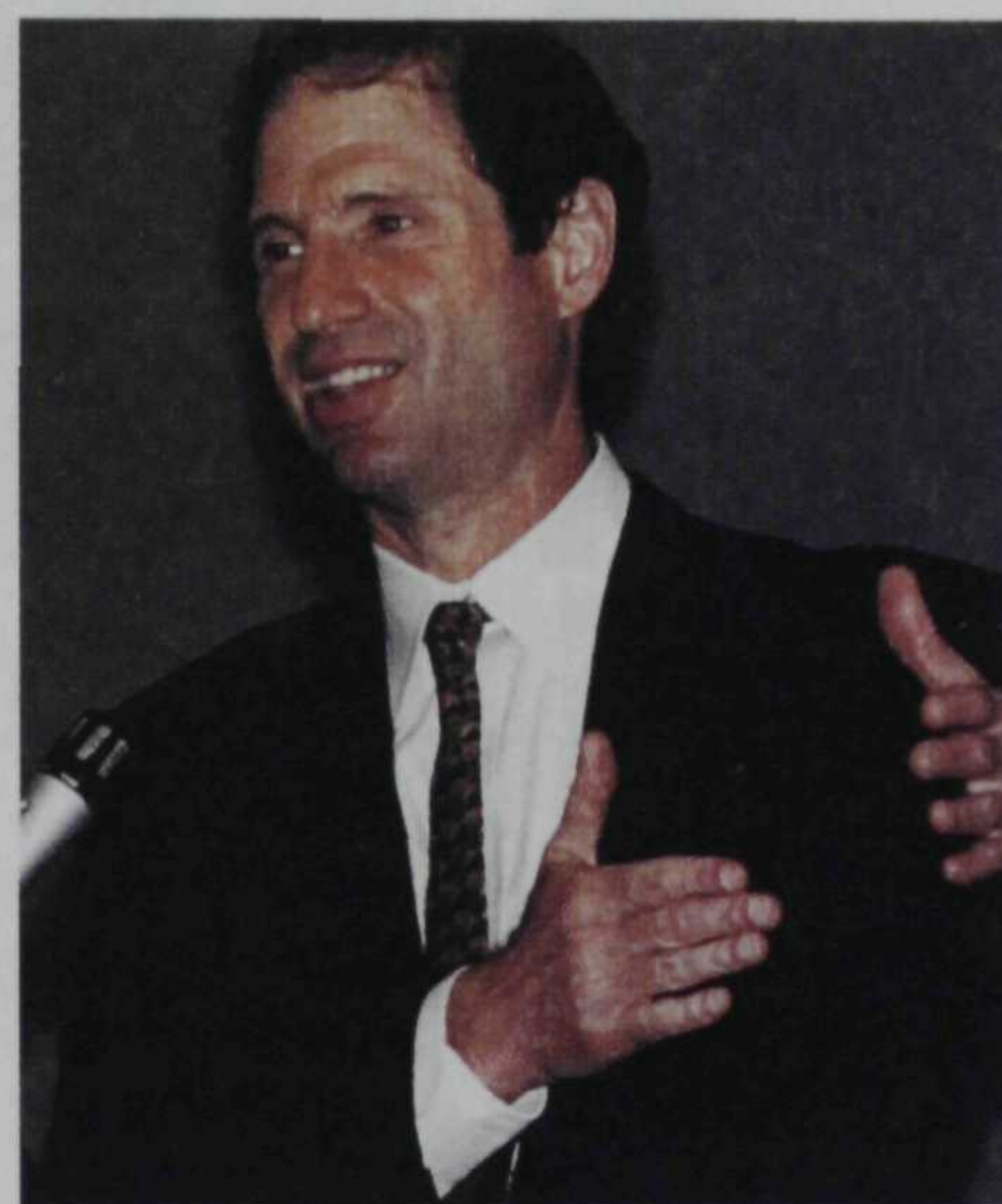


PHOTO: T. MICHAEL KEZA

Lawmakers helping shape Congress' 1996 agenda include, from left, freshman Rep. J.C. Watts, R-Okla.; Senate Majority Whip Trent Lott; and newly elected Sen. Ron Wyden, D-Ore.

consideration a measure to overhaul the Occupational Safety and Health Act.

The Senate's agenda will be less ambitious, according to Majority Whip Trent Lott, R-Miss. "It's going to be an abbreviated year," he says, noting that Congress' schedule includes a monthlong break in late summer for political conventions and an Oct. 4 adjournment so members can campaign full time for re-election.

Lott says Congress will work on bills that are tied up in House-Senate conference committees, including legislation to overhaul product-liability laws. Annual agency

funding measures also are top priorities, Lott says. "[But] if we don't do anything else this year," he says, "we must do regulatory reform."

But Senate Democrats, who blocked the regulatory-reform bill last year, aren't likely to acquiesce in 1996. In fact, they will have an easier time keeping the Republicans from getting the 60 votes needed to break a filibuster after winning the seat in Oregon vacated by Sen. Bob Packwood.

Packwood resigned in October over allegations of sexual misconduct. Ron Wyden, a Democrat who was serving in the House,

won a special election in January to fill the remaining three years of Packwood's Senate term. Wyden's victory narrows the GOP margin in the Senate to 53-47.

House Democrats, who spent most of 1995 bashing the Republicans and ruining their new minority status, have switched strategies for this election year. They're pushing their own legislative agenda.

In January, Minority Whip David E. Bonior, D-Mich., called for raising the federal minimum wage, enhancing education, inserting labor and environmental standards in trade agreements, cutting "corporate welfare," and empowering employees by making it easier for labor unions to organize workers.

NB

LOOK FOR THESE UPCOMING STORIES



Finding & Keeping Skilled Workers

The April cover story will report on how small businesses are finding workers with the required skills and what the companies are doing to retain those employees. Also next month:

- Getting A Piece Of The Olympics Action
- Special Report: What's New In Office Equipment
- Small Business Financial Adviser: A Test Of Your Tax Knowledge
- The National Blue Chip Honorees



Strategic Alliances

The May cover story will examine why strategic alliances are becoming more critical to small-business survival and growth. Other stories planned for May:

- Special Report: Car And Truck Leasing
- How E-Mail Can Help And Hurt You
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MANAGING

Shutting The Door On Lease Problems

By Barbara Etchieson

Like many business owners who have leased new quarters or expanded in their current locations, Dan Tucker thought the lease he signed covered every eventuality. But one night, after a pipe broke in his space and flooded the business below, he discovered things weren't as clear-cut as he had thought.

"The landlord said I was responsible for the damage the water caused below me, while my insurance company said it was the landlord's responsibility and refused to pay for any of the repairs," says Tucker. "Although initially the broken pipe and the attendant lease dispute and move to a new space were very time-consuming problems, they ultimately became the catalysts for the re-evaluation of the entire way my wife, Maureen [McKinnon], and I run our business."

Luckily for the couple and their Boston-based flower-retailing company, Back Bay Blossoms, the problems that resulted because issues were not clearly covered in their lease eventually were resolved in a positive way. But not every tenant is as fortunate. "We're in the middle of a dispute with our landlord because we didn't get everything in writing," explains Shawn Stockman, marketing director for Future HealthCare, Inc., a Chapel Hill, N.C., consulting firm.

Stockman recalls how he and his partners thought they could renew their lease and stay in their existing location, since they had never been in default during their primary lease term and were already occupying the space. "We learned the hard way never to assume anything when it comes to leasing space and to always get a renewal clause in your initial contract," says Stockman. "Don't count on any oral agreements with the landlord—get everything in writing immediately."

Without written documentation to back up the oral commitments he says he received from the landlord on their lease renewal, Stockman and his partners unexpectedly find themselves facing an unwanted and costly move to new quarters.

Barbara Etchieson is a free-lance writer in Austin, Texas.

Someone On Your Side

One way to limit your exposure to such potentially expensive and time-consuming relocations or lease disputes is to engage the services of a qualified commercial-real-estate broker right from the start.

"Leasing has become a very complicated process," says Dick Duryea, president of

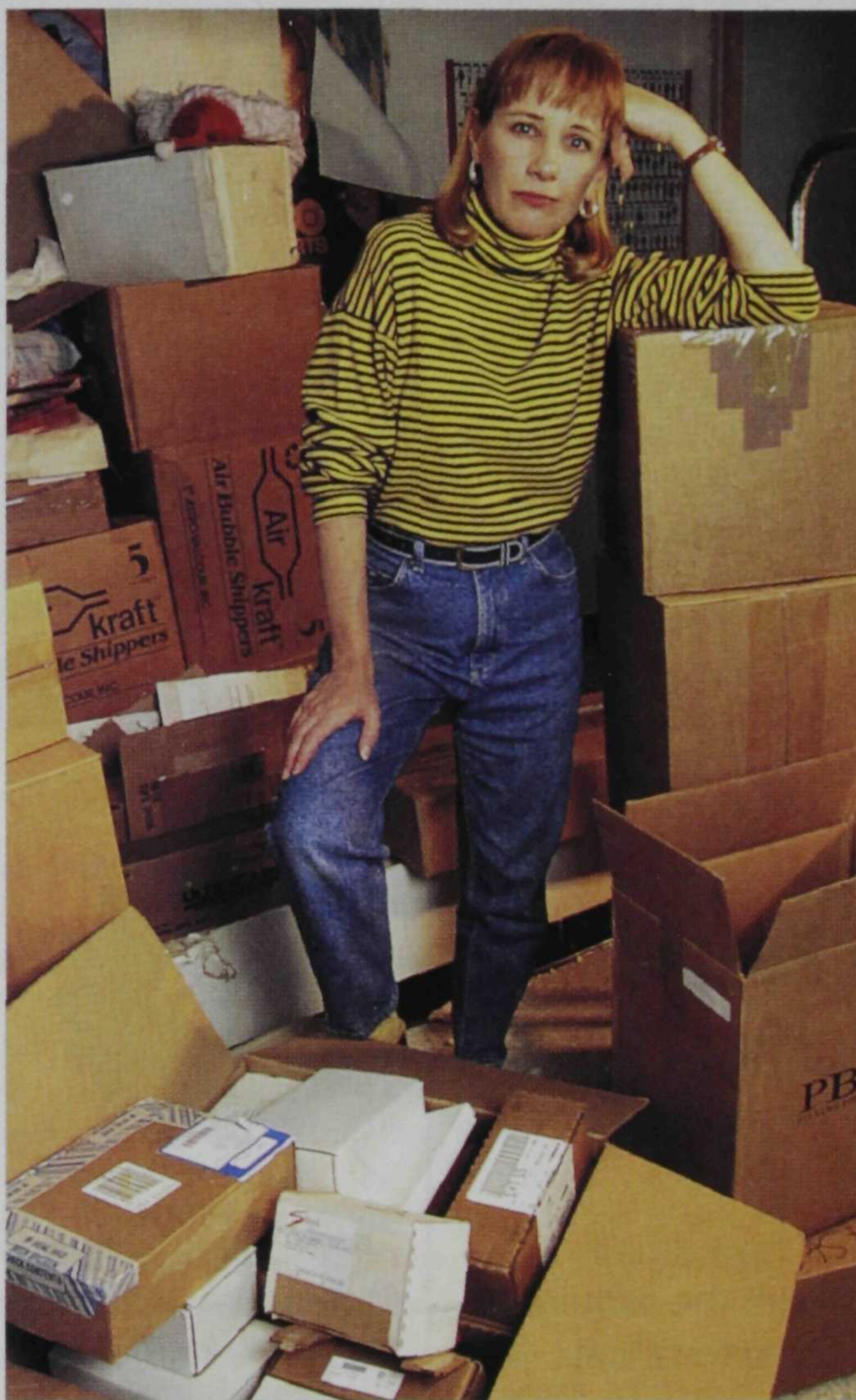


PHOTO: ©PAUL S. HOWELL—GAMMA LIAISON

With her lease-renewal clause expired, Teresa Shaheen is being forced to move her company.

Richard D. Duryea, Inc., a Manhattan-based real-estate company. "What used to be a simple contract has turned into a 40- to 60-page document filled with very complex issues many tenants are not always equipped to deal with on their own. That's one reason it's becoming increasingly important for tenants of all sizes to get the advice of a real-estate consultant before they sign a lease."

Rule No. 1: Get everything in writing—after you consult a real-estate expert—and have a lawyer examine the document.

If you do elect to work with a broker, do so before you look for space, not after you enter into lease negotiations with a potential landlord. Even owners of smaller companies who aren't going to lease large blocks of space can usually find a real-estate consultant to help them in today's market.

Says John Stacy, president and chief operating officer of Cohen-Esrey Real Estate Services, Inc., in Kansas City, Mo.: "If you have a company with limited space needs, you may not always capture the attention of a broker who's been in the business 25 years and only does the largest deals in town, but you can make up for that by hiring a good, young, aggressive broker who did 50 to 60 leases similar to yours last year and now has the experience to handle your transaction."

Stacy adds, "Young brokers always hope that today's small deals will turn into tomorrow's big leases, so you should be able to get a qualified broker, whatever your company's size."

One way to find a good broker is to contact the sales managers of several local firms in commercial real estate. After explaining your situation, ask the managers to recommend the agents in their offices whose experience matches your requirements. Whether you are looking for office, retail, or industrial space, try to find a broker who specializes in your type of lease.

"Once you've narrowed the field to several brokers who interest you, ask them for the names and phone numbers of other clients with whom they have worked recently," says Stacy, and call those clients to see if they were satisfied with the brokers' work.

And Duryea recommends that you look for a broker "who can become a long-term adviser to your company, not just a salesman who's in the deal for a quick buck."

It's also a good idea to ask brokers about their fee structures. Traditionally, most brokers are compensated by building owners once leases are signed, but this isn't always the case, so be sure to confirm this in writing to avoid any surprises.

Many brokers ask their clients to sign a letter of exclusive representation, stating that they will work only with that broker in

lease negotiations. "Look for a letter that clearly explains what the broker is going to do for you," says E.D. Hayden, owner of Hayden Property Management, a commercial-real-estate company in Austin, Texas. "It's also a good idea to include a 30-day cancellation clause for both sides in case things don't work out."

Details, Details

With or without a broker, try to keep your company's priorities foremost in your mind as you consider properties.

"There were only five or six buildings with space available in the area we were willing to consider leasing in, so that narrowed our search quite a bit," says Dave Jacobson, owner of Amherst International, Inc., a Bellevue, Wash., import/export business. "Of those, we picked the one with the best office layout and easiest access for our clients. Unfortunately, we didn't discover our space wasn't all on the same thermostat until after we moved in, so now it's not always the same temperature all over our suite—something I wished we'd asked about before we leased."

Jacobson also says matters such as carpet cleaning and building maintenance should be spelled out in the lease.

Operating costs also should be factored into any leasing equation. Bill Bacon, a tenant adviser for CB Commercial Real Estate Group, Inc., in San Diego, says, "If you're moving into a building which has been built for several years, you could potentially be partially responsible for large future repair bills for items such as the air-conditioning system or roof if you don't structure your lease carefully."

With many tenants packing their leased spaces with more employees per square foot, parking is becoming an issue. "Make sure your company has adequate parking guaranteed, both during the initial lease term and in any renewals," says Bacon. "Don't just assume plenty of parking will always be there just because the lot looks empty the day you go to look at the building."

The Final Inspection

After all the business terms of your lease have been worked out, have the document reviewed by a real-estate attorney. "Find an attorney who specializes not only in real estate but who has experience dealing with the kind of property you are leasing," says Hayden. "An attorney who doesn't have that type of unique knowledge might not



PHOTO: ©RICK FRIEDMAN—BLACK STAR

A lease dispute and a move to a new space ultimately turned out positively for Boston florist Dan Tucker.

always be aware of all the language that's vital to a good lease."

Anne Dresser, owner of the Apartment Store, Inc., an apartment-locating service in Denver, says: "I always feel it's a good idea

to get a lawyer to look over your [office space] lease before you sign it, just like I think it's important to negotiate upfront for any signage rights your company may need, because once you sign that lease, your bargaining position is so much weaker."

Maintaining your negotiating position is important. A qualified real-estate attorney and a broker can help you avoid pitfalls and ensure that both the tenant's and the landlord's rights and responsibilities are clearly documented. Without detailed lease terms and the thorough planning that precedes them, the outcome may go against you.

"Even though I've been a good tenant for four years, my landlord just let me know I have to be out of my space in 30 days so a new tenant can move in," says Teresa Shaheen, a certified public accountant and owner of Pack, Fax and Tax, a Houston-based tax- and business-services company.

"When my lease expired several months ago, I decided to go month to month while I resolved a difference with the landlord," says Shaheen. "Now he's telling me the renewal clause in my original lease, which I assumed would protect me from this sort of thing, is no longer valid and I'll have to move. I never dreamed this could happen to the business I've worked so hard to build."

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MANAGING

Closing The Skills Gap

By Michael Barrier

If, as the saying goes, all politics is local, the same often could be said of efforts to close the skills gap that companies are finding throughout the American work force. Sometimes, though, local and national solutions to the skills shortage intersect at a business, in a way that shows how they can reinforce each other.

Norton Manufacturing Co., in Fostoria, Ohio, south of Toledo, has pursued intensely local solutions to the need for skills training—but it is also taking part in a national program that promises to yield results that are highly adaptable to an individual company's needs.

Norton began in 1950 as a two-man tool-and-die shop, started by the grandfather of Rick Norton, the current owner. As the company expanded, says Randolph Toscano Jr., who was Norton's human-resources manager during the recent period of the company's most rapid growth, "we found that making crankshafts was going to be our niche."

So successfully has Norton occupied that niche that over the past five years it has increased its work force tenfold, to some 400 workers. The number of employees doubled in 1995 alone.

With that expansion came an urgent need for employee training and testing. "We're trying like heck to train our own people," says Aurice J. Hoover, Norton's vice president of operations, "because the schools are not getting it done for us."

In 1994, for example, Norton assessed the skills of its machine operators. One assessment covered math, and Norton

found that some of its operators had mastered the subject only to a seventh-grade level, Hoover says. "That scared the heck out of us because [math is] what this is all about."

Norton responded to the results by giving the low scorers 20 hours of classroom training, and then it tested them again. "They aced out," Hoover says, by testing at a college-freshman level.

More recently, Norton contracted with Vanguard-Sentinel Vocational School to have an instructor based at the plant, offering perhaps two hours of instruction every week to each of the three shifts.

The class work will range from what Toscano calls "machine-shop math" to basic blueprint reading to statistical process control and other Total Quality Manage-

For small and midsize companies, the challenge is to customize solutions to a broad problem.



PHOTO: ©LORI KING

"We're trying like heck to train our own people, because the schools are not getting it done for us," says Aurice J. Hoover; left, Norton Manufacturing's vice president of operations, seen with employee Robert Tasker.

ment concepts. "The hands-on training, we can pretty well do that on the shop floor," Hoover says. "But we need somebody who can come in and do that classroom work for us."

Workers benefit immediately from such training because "they can apply it to the job," Toscano adds. "It's not theory-based education, it's application-based education."

Norton is using the school and other institutions as "resource centers" to help manage the rapid growth that the revival of the U.S. auto industry has fueled, he says. "They've helped us find grant money for training and tapped us into finding skilled workers."

Now, Norton has "a humongous network," says Toscano. "It's a unique partnership to have a business, a community college, a

vocational school, and two or three government agencies sitting in a room together, discussing how we're going to make a company grow, how we're going to train workers. That's exactly what happened, and that continues to happen every month."

On a national level, Norton has played a role in developing standards for some of the skills required in metalworking. Congress created the national skills-standards program in 1994, under the Goals 2000: Educate America Act, with the aim of encouraging voluntary standards applicable nationwide in a variety of industries.

Metalworking was one of the 22 projects funded at the federal level; standards are being developed by private organizations in all 22 areas. The National Tooling and Machining Association, based in Fort Washington, Md., has been developing tests of 19 kinds of skills, including three tests that will be used to measure the machining skills of metalworkers at as many levels.

About 15 of Norton's employees—a cross section—"piloted" the first such test, Toscano says. "We selected a few of our employees to take the test to validate it"—subjecting it, in effect, to questions like these: Have cultural and race biases been removed from it? Is it too difficult?

The idea is that, ultimately, as national skills standards come into wide use, metalworkers who have passed such a test will be certified as having mastered machining skills at a certain level.

At Norton now, only 5 percent to 10 percent of the workers go through formal, state-regulated apprenticeship programs that result in such certification. Otherwise, when someone says, for instance, "I'm a machine operator," the only way to test that assertion is by putting the employee in front of a machine. Much the same is true, of course, of other metalworking skills and skills in other industries.

Certification at a certain level won't mean that a machine operator or someone certified in another kind of work is necessarily just right for a job—but it should give an employer an accurate picture of that person's skills.

The national skills standards will create a baseline; and with that baseline in place, an employer can tailor additional training



PHOTO: ©RICK FRIEDMAN—BLACK STAR

At Taco Inc.'s Learning Center, manager Russ Davis teaches one of the many classes; this one is on the ISO 9000 international quality standards.

precisely to an individual's needs—and, of course, to the company's needs.

But, for small and midsize businesses, training costs can be a problem. A small-business person may understand the advantages of training but still recoil from the expense—and from the prospect that employees will leave soon for another job, taking that training with them.

"Turnover is a major problem for all organizations, because there is a direct correlation between the rate of turnover and the quality of customer service," says Curtis E. Plott, president of the American Society for Training and Development, based in Alexandria, Va. The organization has 58,000 members involved in training.

Turnover can be an especially serious problem for a small or medium-sized business, though, because a handful of people are likely to carry broad responsibilities and have strong personal relationships with key customers.

While turnover can look like an argument against training, it may actually be one of the best arguments for it. A training program that on its face appears generous, or perhaps even extravagant, can turn out to be a prudent investment if it helps create a bond between employer and employee and encourages valued employees to stay.

A case in point is another midsize company that, like Norton, has won widespread admiration for its training efforts.

Taco Inc., in Cranston, R.I., manufactures heating and cooling equipment. The president, John Hazen White Sr., at 82, is still active in the running of the family-owned firm, although John Hazen White Jr., 37, the

executive vice president, handles more of the day-to-day responsibilities.

Taco embarked about three years ago on an ambitious training program that involved establishing what it calls the Taco Learning Center on its premises—two classrooms, a computer lab room, a library, and a conference room. Taco started its program because it had already begun a major investment in plant and equipment—\$2 million to \$5 million a year, over a span of about five years—and it wanted to be sure that its employees could use the equipment effectively.

The company in effect made this offer: It would provide the opportunity to learn the necessary new skills, the employees would take advantage of that opportunity, and the company would not eliminate any jobs as it introduced more sophisticated technology.

With the help of a local vocational school, Taco gave all its employees a test to assess the level of their skills in English and math—and discovered, among other things, that it needed to offer training in English as a second language at five different levels.

"You take for granted that people know how to use a dictionary, how to handle a checking account," says John Ricottilli Jr., senior vice president. But that turned out not always to be the case, "so we began to expand the program."

As that happened, Taco offered training not just in job skills but in other areas as well. "We will teach almost anything where there's an interest," Ricottilli says, to the point that the company has offered courses in art and music appreciation, gardening, and aerobics.

More recently, in what John Hazen White Jr. calls "Phase 3," Taco has been encouraging its employees to learn more about

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government; state and city officials, including the governor, have come to Taco as guest lecturers.

Attendance is all but universal—in the Learning Center's first year, around 450 of Taco's 470 employees took courses there. Most courses are optional, although some, in English and math, are mandatory for those who are lacking in those areas and wish to advance in their jobs. Almost all courses are taught on company time.

Mandatory were cross-training classes in which department heads taught courses in their areas, so that, as Ricottilli says, "everybody in the plant got exposed to some training in marketing, sales, human resources, and quality control." Now, White says, "we're going to have the plant people begin teaching the office people."

Since the creation of the Learning Center, Taco's annual employee turnover rate has shrunk to less than 1 percent. Taco's growth stalled in the late '80s, and the company had

"We found very quickly that the people in the plant . . . can teach you how to make money and how to do things better."

—John Hazen White Jr.,
Executive Vice President, Taco Inc.

"virtually no earnings" during the recession of the early '90s, John White Jr. says, but in recent years Taco's revenues have grown 15 to 20 percent annually.


Although the Learning Center probably deserves some of the credit for Taco's successes, it is itself only one element in larger changes in the company. The lesson may be that training is the more effective the more it reflects a genuine concern for the employee as well as the company.

It was in the early years of the decade, White says, that Taco's managers began

trying to draw more out of the company's employees, instead of simply telling them what to do. "We found very quickly that the people in the plant can really teach you how to run your business," he says. "They can teach you how to make money and how to do things better. That's really what saved our business."

Workers thus not only are trained in the use of new machines but also are involved in the decisions to purchase them. "We even send operators to the factories where these machines are built," Ricottilli says, "before we sign off on them."

The Learning Center is an integral part of the company's turnaround, White says, because employees will give more "the more they feel you're trying to help them. The payback is incredible." **NB**

 To order a reprint of this story, see Page 64.
For a fax copy, see Page 35.

What's The Best Way To Learn?

For small companies with limited funds, learning what local training help is available is only half the battle. Each company's leaders must ask themselves how they should go about enhancing the skills of their employees. Here are some experts' suggestions:

Remember that training really starts with hiring. "You can hire for basic competencies," says Vaughan Limbrick, director of education for the Society for Human Resource Management, an Alexandria, Va.-based organization of human-resource professionals.

And those competencies can include "personality traits that show that somebody is inclined to give good customer service, to take constructive feedback, doesn't have a problem with authority"—someone, in short, who is "easily trainable."

Limbrick advises looking for "a good match with your culture"—and one way to determine that is to think about the best employee you've ever had, and the worst, and pinpoint the difference. If you go through that exercise, she says, you're going to identify some of the competencies brought to the job by the employee you preferred.

Decide what training your employees need—and whether they really need it. "Get a clear understanding of what the skill needs are that you're going to have as a result of your current business strategy," says Curtis E. Plott, president of the

American Society for Training and Development. "Training is not the solution to all performance problems."

There may be other issues that are more critical, involving motivation, information, the work environment, or something else. If you decide training is the answer, you may need help to devise such a training plan; and such help may be available from a community college or other local institution, or from a consultant.

"Anybody who sells you training without assessing the need for you is selling you a pig in a poke," Plott says.

Look into piggybacking on a larger firm's training program. Taco Inc. of Cranston, R.I., a manufacturer of heating and cooling equipment, embarked about three years ago on an ambitious training program that involved establishing what it calls the Taco Learning Center on its premises—two classrooms, a computer lab room, a library, and a conference room.

"We talk to a lot of local groups," says John Ricottilli Jr., senior vice president, and many of the business people attending say, "We're a small company, we only employ 15 or 20 people, and we don't have the resources to do what you guys are doing."

Taco has responded by offering the use of its learning center to other companies—they can send their employees to Taco's classes, or they can use the learning center for classes of their own, paying only their share of the actual cost of conducting the classes.

Seek help from big customers. One element of the quality movement has been an emphasis on partnering between suppliers and customers, with many big companies seeking to cut sharply the number of their suppliers and to work more closely with them. That partnering can encompass training—the big company may help a small supplier by providing training, or by helping the supplier set up a workable (and affordable) program of its own.

Remember that you really learn by doing. Training per se is not as effective as what Limbrick calls "a really good developmental job assignment," something that does not entail great risks but that "creates judgment skills." That kind of training, she points out, requires thought and time, rather than money.

"The closest you get to simulating a job, the better the training is," Limbrick says. "That's why everyone is so excited about some of this high-tech training"—flight simulation, to take one obvious example.

The kind of training that is most effective is the kind that is constantly reinforced through experience—and technology is making such reinforcement ever stronger. As Plott says, it's increasingly easy to get "just-in-time" training that ties in immediately with actual work, and so isn't likely to be forgotten by the time it's needed.

"At some point," Plott predicts, as the technology improves and becomes less expensive and therefore more widespread, "we'll get a huge leap" in the use of such training technology—and the wise small-business person will be ready to take advantage of such an opportunity.

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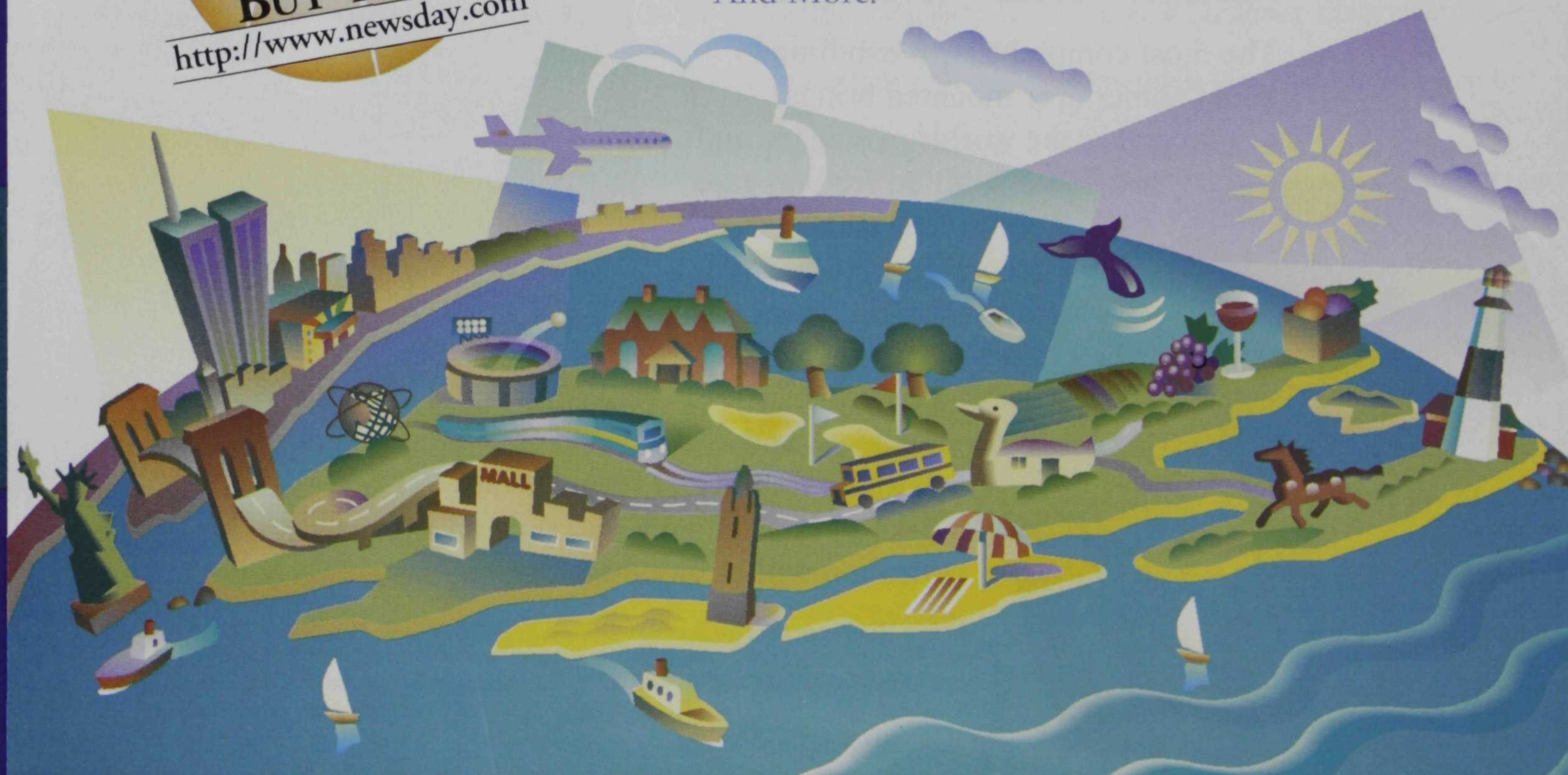
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SMALL BUSINESS COMPUTING

Managing Sales With Software

By Steve Ditlea

It took Peg Ostby about six years to increase the annual sales of Creative Cruises, the travel agency she founded in 1988, to the \$500,000 level. It took her only 18 months more, however, to double the annual revenues of the Sterling Heights, Mich., firm.

That growth spurt is all the more noteworthy because Ostby, a self-styled "non-techie," says it came about in large part through use of a computer program that made her operations more efficient.

The program she used, GoldMine for Windows, by Elan Software Corp., is one of many so-called sales-automation programs available for IBM-compatible and Apple Macintosh computers. With the deftness of a Swiss-army knife, these compact programs, priced from about \$150 to \$500 per user, can be employed effectively for various tasks. They include managing telephone and written contacts, scheduling, word processing, and organizing outgoing and incoming faxes and electronic mail.

Used imaginatively and intelligently, sales-automation programs help small-business owners organize and focus their all-important efforts to gain new customers and retain existing clients.

Ostby's four full-time and four part-time employees use GoldMine and a network of four computers for everyday business tasks, ranging from scheduling bookings to reminding themselves to check with cruise lines for cancellations prior to sailing dates.

Moreover, GoldMine has earned its weight in precious metal by helping create a dramatic increase in Creative Cruises' group-sales business, primarily in the beauty-salon industry.

Ostby started pursuing group sales by mailing press releases concerning Creative Cruises to salon trade magazines. The releases generated some stories, which in turn brought inquiries to her firm; her staff members entered respondents' names and

This story is part of a continuing series on managing at the turn of the century.



PHOTO: ©SANTA FABIO—BLACK STAR

Travel-agency owner Peg Ostby says revenues doubled in 18 months at her firm, Creative Cruises, after she began using GoldMine sales-automation software.

addresses into GoldMine. The software then enabled Ostby to send out follow-up letters and brochures "the same day, not once or twice a week, like when everything was done manually," she says.

Ostby has used the system to compile a list of 9,000 current and potential salon clients and to gain co-sponsorship of cruises from two trade magazines.

Organize For Growth

As intense competition drives down profit margins while business costs continue to rise, small-company owners in many industries are pressed to broaden the scope of their businesses. Like Ostby, many owners are achieving growth in part by replacing paper and other traditional sales-management tools with software such as GoldMine and related computer hardware. This transition, they reason, will help their firms to meet not only today's growth challenges but also those of the future.

A challenge in making the transition from pencils to PCs is choosing software that's right for the task. "There are literally hundreds of sales-automation programs out

Sales-automation programs can help a small firm organize and focus its efforts to increase business.

there," says Richard Bohn, president of the Denali Group Inc., a business-computing consulting firm in Issaquah, Wash., and publisher of the 12-year-old newsletter *Sales Automation Success*. "My short list of programs has 65 choices, each fairly different in style," he says.

Details that a firm should consider in choosing a sales-automation package include not only the company's size but also its number of accounts, sales development cycle, customer-related procedures, and the needs and computer expertise of sales personnel. (The needs-analysis questionnaire used by Bohn during his client consultations is available on the Microsoft Network. Type "DENALI" after choosing the Go To option in the Edit menu.)

Once a sales-automation package has been installed, the biggest hurdle to its successful deployment is often resistance from sales personnel accustomed to traditional sales methods. Says Bohn: "A lot of salespeople shoot from the hip and don't

Steve Ditlea is a free-lance writer in Riverdale, N.Y.

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like to be told what to do. The idea of a structured selling methodology may not be to their liking at first."

The effort required to overcome internal resistance, however, will be worth it in the long run, he says. No matter what software is chosen, sales automation ultimately will be a boon to salespeople by tapping "their greatest professional resource, the personal computer," Bohn contends.

Fax For Sales

A sales-automation package's integration of selling methods takes some getting used to in theory and in practice. Many new users find that some feature of the software that appealed to them before they bought it is never used once they get into other real-world applications.

"It's been a year, and I've never used the scheduling function, which is why we got this software in the first place," says Andy Miller, sales manager for The Kids Stop, the trade name for Hudson Distributors Inc., the nation's largest reseller of close-out children's clothing.

The 14-year-old, privately held business, with more than 100 employees at the main office in New York City and at warehouses in Newburgh, N.Y., and South River, N.J., grosses \$25 million a year in sales, generated by four people, including Miller. They share a single desktop PC running ACT! software by Symantec Corp.

Despite difficult times for U.S. retailers in the past year—when Miller lost his top three accounts to bankruptcy and half of his business commissions with them—he has bounced back with increased annual sales and double the number of active accounts. He credits this feat to the company's sales-automation software.

"I love ACT!," he says. "The first week, I sent out a fax broadcast with a promotional offer; [the returns] paid for the \$2,500 computer and the cost of the program."

A sales-management program's fax capabilities can provide the ultimate in desktop automation, dialing up and forwarding low-cost, overnight communications to an electronic phone book full of prospective clients—while you sleep.

"I can only contact 25 people a day on the telephone," Miller says, "but I can launch a fax broadcast when I leave in the evening, solicit 400 or 500 accounts at night, and have maybe 20 orders by fax waiting on my desk the next day."

To accurately target his sales efforts, Miller has used ACT! to build a thoroughly annotated database of accounts that can be searched quickly by category, such as buyers who deal exclusively in items for newborns, or toddlers, or little boys. "I started with 100 active accounts a year ago," he says. "Now I have 600 clients and good prospects in the database."



PHOTO: ©TOM SOBOLIK—BLACK STAR

To cope with tough times in the retail clothing business, Norman Goldberg, president, left, and Andy Miller of The Kids Stop used Act! software's fax-broadcast feature.

Qualifying Prospects

As powerful as sales-automation software packages may be in consolidating efforts to develop leads into sales, they are only as good as the quality of the leads generated by users. When it comes to qualifying those leads, however, support in doing so systematically can be one of sales-automation software's most valuable business functions.

"We have three categories for qualifying sales prospects—never, maybe, and 'go for them,'" says Jeff Martine, owner and

president of TelePress. His 26-year-old specialty printing business, also in Issaquah, has annual revenues of \$3 million and offers high-quality business stationery.

This market niche is one where it may take years of preliminary contact work before a company gets to bid on a contract, and a salesperson must often coordinate with five or more contacts at a single company. Using WinSales software, from WinSales Inc., on a PC network that includes the marketing director and five

Leading Choices In PC Programs

Personal-computer programs aimed at helping small-business people maximize customer leads range from company-wide sales-management programs that run on a network to "free-form" personal-information-management programs, which function like a stack of electronic Post-It notes.

Here are four popular choices, listed from the most sales-specific software to the most general:

■ GoldMine for Windows 2.5a (\$295; \$895 for a five-user license). Elan Software Corp., 17383 Sunset Blvd., Pacific Palisades, Calif. 90272; (310) 454-6800.

■ ACT! 2.0 (Windows version \$279, \$799 for a four-user license; Macintosh version

\$249, \$699 for a four-user license). Symantec Corp., 10201 Torre Ave., Cupertino, Calif. 95014; 1-800-441-7234.

■ WinSales Version 3.0 for Windows (\$249) and WinSales Professional Edition (\$495; \$1,495 for a five-user license). WinSales Inc., 3605 132nd Ave. S.E., Suite 312, Bellevue, Wash. 98006; (206) 747-2464.

■ askSam Version 3.0 for Windows (\$149) and askSam Professional (\$295). askSam Systems, P.O. Box 1428, Perry, Fla. 32347; 1-800-800-1997.

Summaries of the features in 400 sales-automation software products and a state-by-state listing of sales-automation consultants can be found in *Sales Automation Software Compendium*, by Richard Bohn. The 332-page book is available for \$97 plus \$4.95 for shipping and handling from the publisher, Denali Group Inc., 2815 N.W. Pine Cone Drive, Issaquah, Wash. 98027-8698; (206) 392-3514.

other customer-service employees, Martine makes sure "we concentrate our time on the most-likely prospects."

He often begins with cold prospects from commercial databases and uses an inexpensive premium offer—a memo pad with the prospect's name on it—to call on and qualify sales leads. "Once you have a response, you're on first base," he says. Then, over the next three months, with up-to-date information on file in WinSales, the sales staff at TelePress launches customized mailings automatically printed and addressed.

Mailings and follow-up phone calls, part of what Martine calls a "drip marketing" strategy, are coordinated by WinSales' Action Plan feature, which outlines the steps for every contact in a particular sales initiative. Using the program's aggressive sales methodology, TelePress can help turn "suspects" into prospects and actual sales from among the 1,000 qualified sales leads now in the computer.


A Different Approach

At the opposite end of the spectrum from WinSales' structured sales approach is an easy-to-use, free-form information program called askSam, from askSam Systems. This program helps the sales department of Harrison-Hurtz Enterprises Inc., a musical-accessories manufacturer in Wymore, Neb., keep track of new sales contacts.

Todd Harrison, vice president for operations and sales at the privately held, \$1.5 million firm, says his information software's quick-search capability "is essential when you've amassed 24,000 leads over 3½ years." Culled from attendance lists at the 25 conventions the company's six salespeople go to each year, the Harrison-Hurtz contact list would typically take 10 to 15 minutes to search in a standard database program, such as Microsoft Access, and even longer with typical contact-manager software. "With askSam on our networked PCs," says Harrison, "it takes only a few minutes for any one of us to search out a contact even if we've forgotten a name and have to find it by a key word."

Even without the structured screens of a sales-oriented software package, askSam still helps Harrison and his staff keep track of follow-up mailings and report on prospects who respond to mail or phone contacts for further solicitations. "Not only does it save on the cost of promotional mailings," says Harrison, "but it forces us to be more organized in our sales efforts."

And like so many other areas of office automation, the big payoff in sales automation may well be streamlining business processes. **NB**

 To order a reprint of this story, see Page 64.
For a fax copy, see Page 35.



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REGULATION

End Of The Line For The ICC

By James Worsham

While Republicans and Democrats were bickering and haggling over how much to cut the budget and how big government should be, they quietly laid to rest the nation's oldest regulatory agency.

Dead as of Dec. 31, 1995, is the 108-year-old Interstate Commerce Commission, once a powerful body that tightly controlled railroads initially and then trucking as well. The two industries were the lifelines of commerce as the nation developed regional interdependency during its expansion south and west over the past century.

Much of the ICC's vast powers had been stripped away in deregulation legislation in the early 1980s, however, leaving the commission with little of its old clout at the end. Most of what was left now rests with a new Surface Transportation Board (STB), a semi-independent agency within the Department of Transportation (DOT), or with the DOT itself.

"I'm hopeful this will be a success story about reinvention and reforming government and serving people better," says Linda J. Morgan, the final ICC chairman and the first STB chairman.

The ICC functions that have been retained, she adds, are those "that most people feel are the minimum necessary."

Most of the ICC regulatory powers the STB has taken over, she says, are those relating to railroads, which will still be more heavily regulated than trucking. While the STB retains authority to adjudicate both rail and trucking disputes, Morgan says, the DOT has taken over various programs and the licensing and registration of truckers.

The bill to eliminate the ICC was signed by President Clinton on Dec. 30 after it moved through Congress with broad, bipartisan support. Concerns over job-loss protections for rail workers slowed the measure late in the year, but provisions acceptable to all sides were eventually agreed on.

"It's a way to cut some waste out of government," says Michael S. Starnes,

chairman of M.S. Carriers, Inc., a nationwide trucking firm based in Memphis, Tenn. "And I don't think there's going to be any negative fallout for trucking firms or shippers."

The legislation went almost without notice as Republican plans to dismantle several Cabinet departments, such as Commerce or Education, stalled in Congress.

But the ICC was a special target. Once one of the most powerful federal agencies, the panel over the years regulated not only

A few diminished functions of the former Interstate Commerce Commission survive—elsewhere.

Also, since rail workers may not strike or enter into labor contracts, the ICC law specifies pay and benefits for workers who lose their jobs because of mergers.

Still largely intact is the major thrust of the 1980 Staggers Rail Act, the legislation that deregulated the railroads.

Trucking: Little regulation remained last year. Now, companies must still register with the DOT and show proof of insurance, but they don't have to file their rates with the government. "It won't be a dramatic change," says Ken Siegel, deputy general counsel for the American Trucking Associations.

Household Movers: The industry will offer a dispute-resolution process, and the DOT will oversee it.

Bus Lines: Mergers and certain route requirements are subject to STB review.

Now that the ICC is gone, so is its consumer-protection role for shippers. "There is none," says William J. Augello, executive director of the Transportation Claims and Prevention Council, Inc., a nonprofit group in Hunt-

ington, N.Y. "It is caveat emptor for shippers" in dealing with trucking firms, he says.

Augello urges shippers to examine rate schedules and contract terms. In killing the ICC, he says, Congress "abandoned the small-business man, who usually lacks training in transportation and merely calls a carrier for a rate and a pick-up."

Morgan also warns shippers to be more alert when dealing with carriers, because the ICC won't be there for help later: "You must work directly with your carrier, and make sure everything is written down."

Trucking-company chairman Starnes agrees and urges shippers to "be careful" in choosing carriers. But he says a deregulated, more competitive market for shippers is better and, since 1980, has helped firms like his prosper. As for the ICC, he adds, "We're not going to miss it." **NB**



PHOTO: ©DALE R. THOMPSON—FOLIO, INC.

The ICC is history, but railroads will still be more heavily regulated than trucking companies in the competition for shippers.

railroads and trucking but also, at times, water transportation, oil pipelines, and household movers. It decided which carriers could operate, where they could operate, and how much they could charge.

What was an agency with 2,000 employees and a budget of \$82 million in 1980-81 had shrunk to 400 employees and \$40 million by last Oct. 1. Now, the STB has \$12 million a year and 126 employees, although 61 other former ICC workers went to the DOT.

Here's a look at the post-ICC era:

Railroads: The STB has regulatory authority over maximum rates charged to "captive shippers" (those with only one available carrier) and over rail construction and abandonment as well as mergers and acquisitions. Railroads can set their own rates but must have copies available for shippers.

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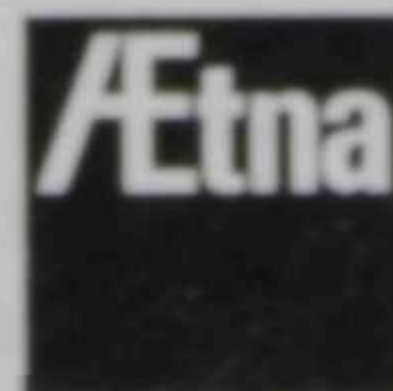
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TAXES

Getting With The Program

By Tim McCollum

For about the past 10 years, an increasing number of taxpayers have turned to their computers to help them do their personal returns. But for small-business owners looking for a high-tech alternative to their accountant, such an option has come more recently and has been more limited.

Tax-preparation software programs have gained popularity among individuals since 1984 because they provide an easy way to fill out personal tax returns. The best of these programs walk you through your tax return, calculate the numbers, and suggest ways to lessen your tax bite while avoiding an audit by the Internal Revenue Service. Some even help you file your return electronically by modem or diskette for an additional fee.

Doing business taxes by computer is a more recent development. Many small-business owners have used personal-tax programs to file Schedule C (self-proprietor) or Schedule F (farm income) business forms with their Form 1040, but these programs don't meet most firms' needs.

Two years ago, in response to the demands of its small-business customers, Intuit released advanced business versions of its TurboTax for Windows and MacInTax for Macintosh tax programs to help small companies and partnerships that file corporate-tax forms.

Home builder Rik Ketschke of Ketschke Enterprises, in Brentwood, Tenn., has used the 1120S (S corporation) version of TurboTax for Business to do his business taxes on his computer for the past two years. He says the program is as easy to use as the personal edition of TurboTax and is not unlike visiting an accountant "and having him ask you questions and then going back a couple of weeks later to pick up your return. It's essentially the same thing, only it's done almost instantly."

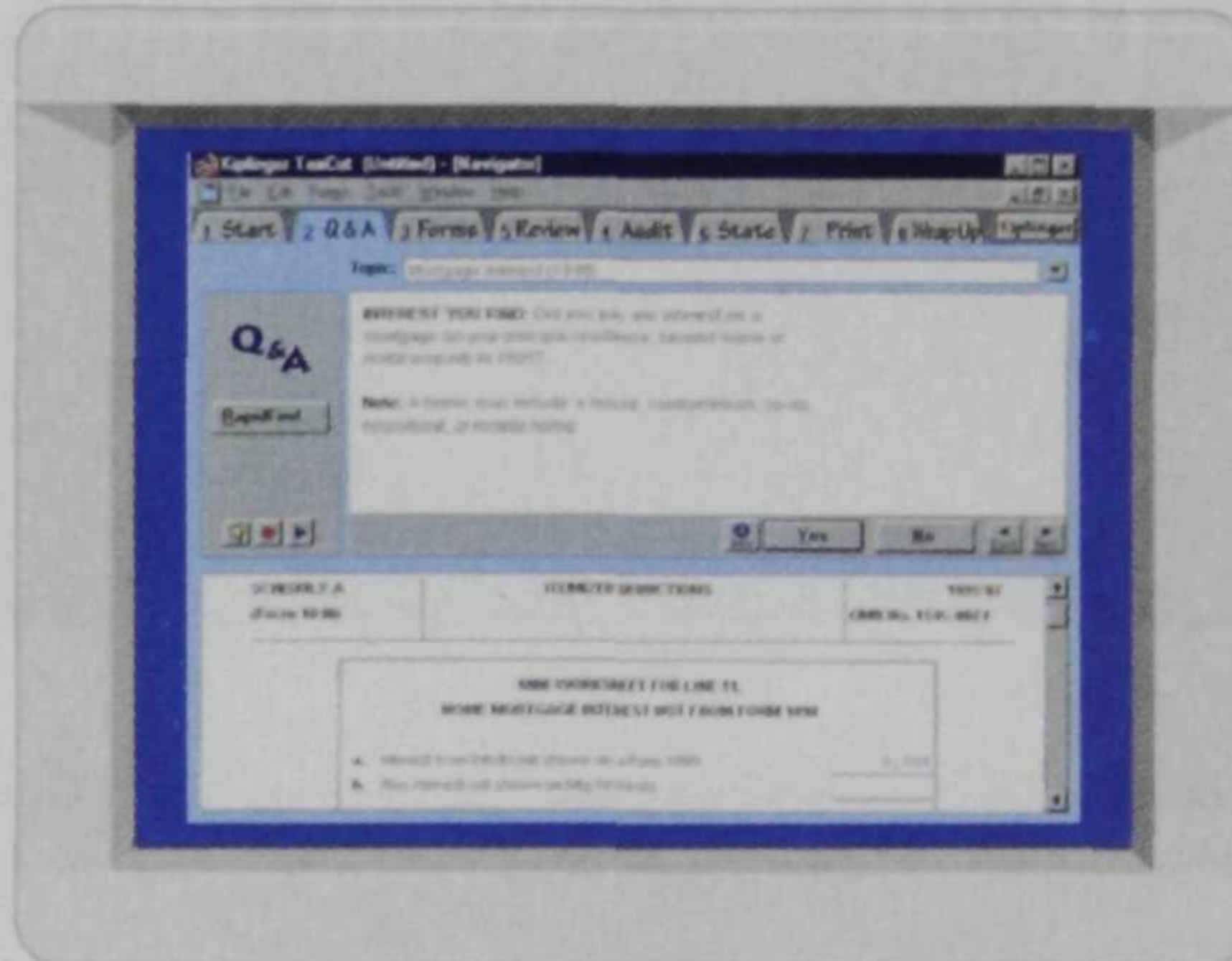
So far, TurboTax and MacInTax are the only tax programs intended for use by small-business owners. The other programs described below are for filing personal returns.

TurboTax/MacInTax for Business

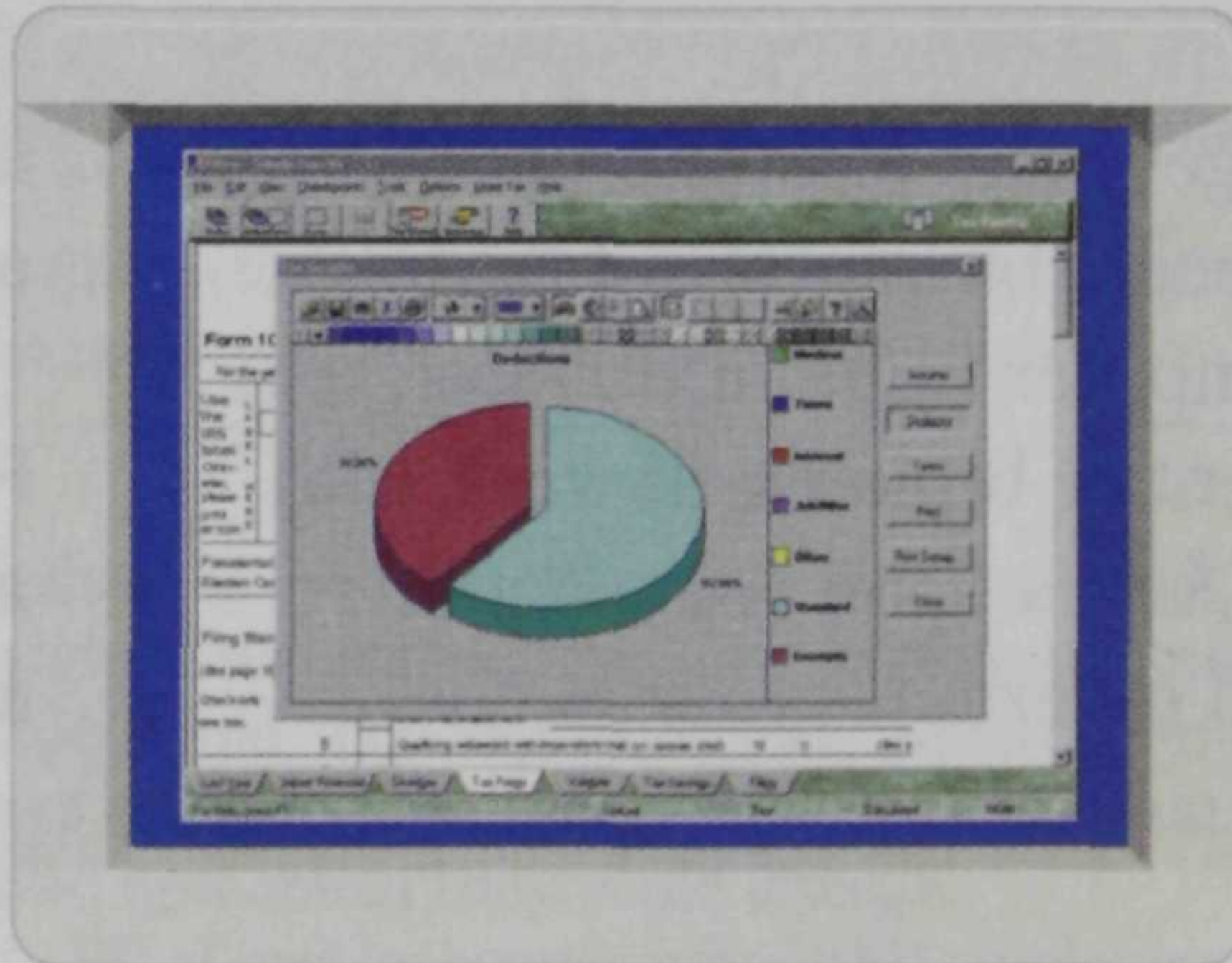
In addition to a program for S corporations such as Ketschke's, TurboTax and MacInTax for Business offer separate editions for sole proprietors (Form 1040), corporations



TurboTax for Business: *Separate editions.*



Kiplinger TaxCut: *Easy solutions.*



Simply Tax: *A choice of methods.*

(Form 1120), and partnerships (Form 1065). Each program allows users to bring in financial information from Intuit's QuickBooks small-business accounting software, while the 1040 business version also imports information from financial programs such as Quicken, Managing Your Money, and CheckFree.

On the other hand, the business programs can't import tax information from common small-business accounting pack-

Small-business owners can now find some tax-preparation software similar to products tailored for individual returns.

ages such as Peachtree Accounting for Windows or DacEasy, leaving users like Ketschke to enter information by hand.

The recommended method for completing your return is the EasyStep interview, which walks you through various stages of the process, from entering information to reviewing and filing your completed return.

The Forms Method allows business owners to fill out forms directly, but this can be frustrating if your return is complicated or if you haven't done your own taxes before.

Regardless of how you fill out the return, the program's Review process flags potential problems and explains tax mistakes.

TurboTax and MacInTax for Business also include tax hints and information from tax attorney Fred Daily's guide—*Tax Savvy for Small Business*—and a built-in copy of Netscape Communications' Navigator software that links users to tax information at Intuit's TurboTax Internet home page (<http://www.intuit.com/turbotax/>).

Kiplinger TaxCut

Among the personal-tax-preparation programs, Kiplinger TaxCut from Block Financial Corp., the software-publishing division of H&R Block, may provide the easiest solution for people with complex personal and sole-proprietor business returns. The program plays the role of financial adviser throughout, explaining things line by line.

TaxCut's guided "Q&A" interview explains each section of your return before you begin work, then takes you through each line and worksheet, providing examples and often suggesting common responses. As you go, the program shows you where your responses are applied and periodically updates you on your current tax situation.

The program works with major financial-planning programs such as Microsoft Money, Managing Your Money, and Quicken as well as the 1994 editions of TaxCut and Turbo-Tax.

Reviewing your tax form can be a chore. It is hard to find your way around and difficult to track whether the information you entered on worksheets has been calculated and included on other forms.

TaxCut's biggest strength is the built-in help and advice provided by Kiplinger experts, which link you directly to the

appropriate topic wherever you are on the form through a hypertext system.

Simply Tax

Simply Tax from 4Home Productions, the personal-software division of Computer Associates International Inc., gives you a choice of methods for filling out your return and includes handy tools for making sure everything is correct.

The Tax Wizard elicits information on income and calculating business and personal deductions and expenses. You can import information from Quicken and 4Home's own Simply Money personal-finance program, as well as from the 1994 versions of TurboTax, TaxCut, and Simply Tax.

The drawback of the Tax Wizard is that you don't see where your entries are going unless you leave the Tax Wizard module.

The alternative method, Forms Explorer, lets you see where your information is going as you work through the forms on your own. Using Forms Explorer can be like working through an elaborate maze. The program often forces you to go to different forms and worksheets to enter information using a linking system, but it doesn't provide links to return to where you had been.

Once you've completed your return, Simply Tax's Validate command highlights omissions and mistakes in your form and flags potential targets for IRS audits. The Tax Saver suggests deductions that can lower your taxes.

Personal Tax Edge

Parsons Technology's Personal Tax Edge is an inexpensive program that packs lots of information for taxpayers, including tax tips from J.K. Lasser's *Your Income Tax*, a popular tax-preparation book.

Personal Tax Edge works with most major personal-finance programs and Parsons' Personal Tax Organizer software, but it imports 1994 tax-return information—tax refunds, amortization, mortgage interest, and the like—only from last year's version of Personal Tax Edge.



Personal Tax Edge: Lots of information.

Personal Tax Edge's Guide method walks you through the process of filling out your return using a series of "yes" and "no" questions that determine whether a particular section applies to you.

The Guide then sends you to the applicable form and has you fill in the appropriate lines. This can be difficult

for people who are inexperienced with IRS forms, because the program doesn't explain tax-form questions as you go, leaving you to depend on the help systems.

Although Personal Tax Edge has abundant built-in help—including a quick-tips section, IRS instructions, and the J.K. Lasser advice—it's often difficult to get to the help you need when you need it.

If you do need additional help, however, Personal Tax Edge provides access by modem to on-line tax information (<http://www.parsonstech.com/pte/>) using the Intuit version of the Netscape Navigator browser that is provided with the program. NB

Program Details

TurboTax for Business (Windows) and **MacInTax for Business** (Macintosh) are available in four versions: 1040 Business, 1065 (partnership), 1120 (corporation), and 1120S (S corporation). State-tax versions of TurboTax for Windows, sold separately, are available for 44 states and the District of Columbia. CD-ROM or diskette, \$79.95. Personal 1040 version is \$39.95. TurboTax Deluxe CD-ROM is \$49.95.

From Intuit Inc.; 1-800-695-7778.

Kiplinger TaxCut is available for Windows and Macintosh. On CD-ROM or diskette, \$39.95. State-tax versions, sold

separately, are available for 22 states and the District of Columbia (Windows version).

From Block Financial Corp.; 1-800-235-4060.

Simply Tax is available for Windows and Windows 95, on CD-ROM or diskette, for \$19.95. State-tax versions are sold separately for 20 states.

From 4Home Productions; 1-800-773-5445.

Personal Tax Edge, available for DOS, Windows, Windows 95, and Macintosh, on CD-ROM or diskette, for \$19. State-tax versions are sold separately for 44 states and the District of Columbia.

From Parsons Technology; 1-800-223-6925.

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ENTERPRISE

Deciding To Succeed

By Sharon Nelton

Breck Speed summed it up: "While solutions aren't always hard, the decision-making process can be." Speed, president of Raleigh Spring Water Co., Inc., of Little Rock, Ark., wrote that observation in his company's application for the 1996 Blue Chip Enterprise Initiative award program.

Speed described the company's decision to quit an unprofitable market in sideline products such as ice and individual servings of tea, coffee, natural sodas, and juice and to focus instead on its core business: selling five-gallon bottles of water. It was a painful choice because it was like giving up a dream, Speed said. But it was a good choice. The company's profits in Little Rock in 1995 were up over 65 percent from the year before, and in May it acquired a second five-gallon distribution company in Kansas City, Mo.

Employee stress is down, too, Speed reported. "We no longer look at a growing water market, envision all of the opportunities, and run frantically in all directions. Instead, we focus on the five-gallon market we know and concentrate on using the 'cookie cutter' we've developed to duplicate our success."

Raleigh Spring Water is one of 175 companies that are being recognized as state hon-

orees in the 1996 Blue Chip Enterprise Initiative program. Sponsored by Connecticut Mutual Life Insurance Co., the U.S. Chamber of Commerce, and *Nation's Business*, the Blue Chip Enterprise Initiative recognizes small companies that have overcome adversity and emerged stronger as a result.

This year—the program's sixth—48 of the firms were recognized as top state or regional honorees, and four of those in turn were selected by a panel of judges to be the 1996 National Blue Chip Enterprises. Profiles of the four national honorees, who were invited to receive their trophies at the U.S. Chamber's annual meeting in Washington, D.C., on Feb. 26, will appear in the April issue of *Nation's Business*.

As Speed's experience demonstrates, decision making is the heart of a successful business. And this year's Blue Chip Enterprise honorees reveal story after story of decisions that enabled companies to overcome setbacks ranging from recessions and lawsuits to embezzlement and bankruptcy.

For example, in 1991, after a fire destroyed the sole facility of the J.J. McIlwee Co., a family-owned millwork manufacturing and distribution company near Chicago, family members decided to hold regular meetings.

1996 Blue Chip Enterprise Companies

Listed below are the 175 companies designated as Blue Chip Enterprises in the 1996 Blue Chip Enterprise Initiative program. The top honoree for each state appears first.

Four national honorees, to be selected from the 48 top honorees by a panel of judges, will be announced in the April issue of *Nation's Business*. (Not all states are represented among the honorees.)

The nature of the business is indicated when it is not evident from the company's name.

ALABAMA

Equity Technologies Corp. (high-technology equipment services), Mobile.

ARIZONA

Rolf's Salon (beauty service), Phoenix; Superior Embroidery Co. (manufacturing), Phoenix; *Today's Arizona Woman Success Magazine*, Scottsdale; DeCio Pasta, Inc. (manufacturing), Cave Creek.

ARKANSAS

Raleigh Spring Water Co., Inc. (bottler and distributor), Little Rock; Drug Free, Inc. (health care), Little Rock.

CALIFORNIA

Chocolates à la Carte, Inc. (manufacturing and distribution), Sylmar; Montrose Travel, Montrose; Hydro-Mill Co. (aerospace-parts manufacturing), Chatsworth; Jasmine Multimedia Publishing (software), Van Nuys; Midnite Express Inc. (courier and cargo service), Inglewood; Sandicast, Inc. (animal-sculpture manufacturing), San Diego; The Waterfront Hilton Beach Resort, Newport Beach.

COLORADO

Valas Stores, Inc. (retail home electronics), Denver; Alta Milla Electric Corp. (subcontractor), Louisville; Mar-Tek Industries, Inc. (plastic-and-metal-products manufacturer), Englewood; Aurora Publishing Co. (newspapers), Aurora.

CONNECTICUT

The Taylor & Fenn Co. (foundry), Windsor; Nutmeg Chrome Corp. (metal finishing), West Hartford; Holley Dodge (automobile dealership), Middletown; Captain's Cove Seaport (marina and restaurant), Bridgeport.

DELAWARE

TCI Marketing Inc. (direct marketing), Wilmington; DuHadaway Tool & Die Shop, Inc., Newark.

DISTRICT OF COLUMBIA

MDB Communications, Inc. (advertising and marketing); Wm. D. Euille & Associates, Inc. (construction); The John Akridge Companies (commercial real-estate management); Clean Air Cab Co., Inc. (taxi service).

FLORIDA

Fontina Foods, Inc. (manufacturing), Port St. Lucie; Sanwa Growers, Inc. (Oriental vegeta-



Building a strong business has been a matter of choice after choice for the state honorees in this year's Blue Chip Enterprise Initiative.

THE
BLUE CHIP
ENTERPRISE
INITIATIVE
AWARDS

HONORS

ILLUSTRATION: MICHAEL ROOK

The meetings resulted in a strategic plan that not only got the company back on its feet but also led to record-breaking sales.

When a major customer went bankrupt 15 years ago, Performance Press, a Carmel, Ind., printing company, was forced into Chapter 11 bankruptcy. Even though company owner Larry Ooley was required to pay creditors only 10 cents on the dollar, he decided he would pay back every last cent, and he did so in just 14 months.

That decision led to new levels of achievement by the staff and, eventually, to a bank that was so impressed with how Ooley had repaid his debts that it lent him money for expansion. Today, Performance Press has more than 160 employees.

Denise Cyr, president of Bennington Furniture Inc., based in Bennington, Vt., says her decision to hire a manager/interior decorator with more than 20 years of experience was an especially tough one. "I was terrified of paying an extra income, but the move turned out to be one of the best business decisions," she says. As a result, her Bennington store had its best year ever, she says, and she was freed up to develop the market at a second location, in Rutland, Vt.

Since the inception of the Blue Chip program, one of its goals has been to share with

small-business owners throughout the country the lessons that can be learned from the experiences of the honorees. To help meet that objective, the honorees' stories will be compiled in a book that will be made available later in the year.

In addition, more than 50 Blue Chip companies, including the four national honorees and the top state and regional honorees, will be profiled on various segments of "First Business," the small-business morning television newscast produced by the U.S. Chamber and Connecticut Mutual. The television presentations will be made available on videotape.

These resources will enable other business owners to see how decisions affected this year's Blue Chip companies. Some decisions led to setbacks, but others led to the way out, and some led to triumph. Rarely were they easy.

Of his company's decision to quit selling New Age beverages and concentrate on five-gallon sales of water, Breck Speed says: "Entrepreneurs don't want to fail at anything, so the decision to quit a market was difficult for us on a personal level."

But in the end, he says, "we 'discovered' perhaps the oldest rule in the book of business: *Focus* is the key to success." **NB**

bles), Wimauma; R.J. Gator's (restaurant chain), Jupiter; Survival Products, Inc. (life-raft manufacturer), Hollywood.

GEORGIA

Key Lime, Inc. (pie manufacturing), Smyrna; The Cruise Authority (travel agency), Marietta; Key Temporaries, Inc. (personnel service), Atlanta; Genline Systems, Inc. (software and equipment sales), Conyers.

HAWAII

Wyland Galleries Hawaii (fine-art retailer), Waipahu; Sandal Tree/Kimo Bean Coffee Co. (shoe stores and espresso bars), Honolulu; Oceanit Laboratories, Inc. (engineering consulting), Honolulu; Sedona, a division of Malimar Inc. (gift store), Honolulu.

IDAHO

Hobson Elevator, Inc. (installation and maintenance), Boise; MicroClean, Inc. (janitorial

service), Nampa; DeBest Plumbing, Inc., Boise; Stronghold Construction, Inc., Boise.

ILLINOIS

Gold Coast Dogs (fast food), Chicago; Widmer, Inc. (office-furniture dealer), Peoria; Bill's Family Recovering Communities, L.L.C. (housing for recovering addicts and alcoholics), Chicago; J.J. McIlwee Co. (millwork manufacturing and distribution), Itasca.

INDIANA

Church Brothers Automotive Group, Inc. (repair), Indianapolis; Myers Ambulance Service, Inc., Indianapolis; Performance Press, Inc. (printing), Carmel; Heartland Growers, Inc. (plant wholesaler), Westfield.

IOWA

K & K True Value Hardware, Bettendorf; Bettendorf Office Products/Evergreen Art Works (retail), Bettendorf; Credit Bureau

Enterprises, Inc. (credit report and collection agency), Waterloo.

KANSAS

Century Personnel (service), Overland Park; STRATCO, Inc. (engineering design), Leawood; Phoenix-Hudson Corp. (medical-services staffing), Overland Park; CPI Corp. (food processing), Wichita.

KENTUCKY

Calvert City Lumber Co. (lumber yard and building supplies), Calvert City; Kentucky Dam Marina, Gilbertsville; Air Relief, Inc. (air-compressor parts manufacturing and service), Mayfield; JOBS Unlimited (employment agency), Paducah.

LOUISIANA

Seasafe, Inc. (fiberglass fabricator), Lafayette; Bank of Coushatta, Coushatta; CompuMed Pharmaceuticals, Inc. (repackaging and

ENTERPRISE

dispensing), New Orleans; POWERTECH! Marine Propellers (manufacturing), Shreveport.

MAINE

Belfast & Moosehead Lake Railroad (tourist excursions), Unity; Snow & Nealley (hand-tool manufacturing), Bangor.

MARYLAND

Frederick Sport & Ice Arena, Frederick; Standard Supplies, Inc. (industrial distributor and steel fabricator), Gaithersburg; EIS International (software developer), Rockville; Oak Contracting Corp. (construction), Towson.

MASSACHUSETTS

Roma Color, Inc. (pigments manufacturing), Fall River; SunVision, Inc. (sunglass retailer), Boston; Checon Corp. (electrical-contact manufacturing), Attleboro; Lancaster Packaging, Inc. (distributor), Hudson.

MICHIGAN

Ideal Steel and Builders' Supplies, Inc. (manufacturing), Hamburg; Metropolitan Woman Inc., Southfield; Fox Hills Country Club, Plymouth; Liberty BIDCO Investment Corp., Farmington Hills.

MINNESOTA

Milltronics Manufacturing Co. (computer-controlled machine tools), Chanhassen; Specialty Engineering, Inc. (precision sheet-metal fabrication), St. Paul; Baldwin Supply Co. (industrial-products distribution), Minneapolis; Lofgren Trucking Service Inc., Rush City.

MISSOURI

Springfield Plywoods, Inc. (distributor), Springfield; Sappington Farmers Market, St. Louis; Castleton (housing service), St. Louis.

MONTANA

CRS Hardware Corp. (retail), Missoula.

NEBRASKA

Metal Logos, Inc. (sign manufacturing), Ralston; Bluebird Nursery, Inc. (wholesale grower), Clarkson; DY-NA Tool & Mold, Inc. (manufacturing), Kearney; The Cookie Company (retail), Omaha.

NEVADA

Rand & Poe Ltd. (accounting), Reno; Jim Butler Motel, Inc., Reno; Sierra Biomedical, Inc. (product-safety evaluation), Sparks; WESTEC, Inc. (engineering consulting), Reno.

NEW HAMPSHIRE

Image 4 Concepts, Inc. (graphics services), Manchester; Environmental Interiors, Inc. (manufacturing and construction), Hudson; Sowerby Healthcare, Inc. (nursing-home management) Peterborough; Pepi Herrmann Crystal, Inc. (manufacturing), Gilford.

NEW JERSEY

Cunningham Graphics, Inc. (printing), Jersey City; AWA Electronics Inc. (rebuilt televisions), West Orange; Brunner Motor Car Co. (vehicle

sales and service), Verona; Magic Solutions, Inc. (computer software), Paramus.

NEW MEXICO

Computer Corner (retail), Albuquerque; Weem Galleries and Framing (retail), Albuquerque; Flint's Carpet Center, Inc. (retail), Albuquerque; Correa Enterprises, Inc. (computer service), Albuquerque.

NEW YORK

Mackenzie-Childs, Ltd. (dinnerware manufacturer), Aurora; REGALO, Inc. (gift consulting), Albany; Tri-State Mailing Equipment & Supply, Inc. (distributor), Mount Vernon; Deborah A. Naybor, Professional Land Surveyor, PC, Alden.

NORTH CAROLINA

i play (children's activewear manufacturer), Asheville; Carolina Wilderness (white-water-rafting tours), Hot Springs; James A. Fyock & Associates, Inc. (public relations), Winston-Salem; Papa Paruso's Foods, Inc. (manufacturing), Fayetteville.

OHIO

Black Tie Affair, Inc. (conference center and catering service), Wooster; Computer Systems Co., Inc. (consulting), Brecksville; Drs. Cuglewski, Harding, Oswald, Timko and Associates (dental services), Parma; Entek Scientific Corp. (software manufacturing), Cincinnati.

OKLAHOMA

Express Personnel Services, Oklahoma City; Walker Stamp & Seal Co. (manufacturing), Oklahoma City; Resonance, Inc. (stereo-equipment manufacturer), Oklahoma City; Commercial Financial Services, Inc. (debt collection), Tulsa.

OREGON

Xenium Communications, Ltd. (computer-telephone-integration manufacturing), Portland; Alsea Veneer, Inc. (wood-products manufacturing), Newport; Acumed (orthopedic-implants manufacturer), Beaverton; Chuckles Gift Shops (card and gift shops), Salem.

PENNSYLVANIA

Linear Dynamics Inc. (highway-safety-products manufacturer), Montgomery; Fairfield Manufacturing Co., Inc. (precision machining), Montoursville; Luhrs True Value Homecenter (retail), Milford; SPECIAL CARE Inc. (personal-care service), Erdenheim.

PUERTO RICO

Altol Petroleum Products Service, Inc. (inspection services), Guayanilla.

RHODE ISLAND

Electro Standards Laboratory, Inc. (computer-communications products and service), Cranston; E. MAC Transport Co. Inc. (trucking), Cranston; Off-Track Bedding (retail), Providence.

SOUTH CAROLINA

Sign It Quick, Inc. (sign-products distributor

and manufacturer), Charleston; Technology Solutions, Inc. (computer-personnel service), Columbia; NCGS and Associates, Inc. (research services), Charleston; Atlantic Transportation Services, Inc. (warehousing and trucking), Charleston.

SOUTH DAKOTA

RMR Industries Inc. (store-fixtures manufacturer), Watertown.

TENNESSEE

Adtec, Inc. (television-products manufacturer), Nashville; Strickland Produce Inc. (wholesale), Nashville; Armanda Costanza, Inc. (movie and videotape production), Nashville; Security Electronics, Inc. (design and installation), Nashville.

TEXAS

J-Baco Enterprises (fast food), Houston; Reliable Pumps, Inc. (sales, rental, and service), Houston; Lewis & Maese (antiques retailer), Houston; Los Tios Mexican Restaurants, Inc., Houston; H & W Petroleum Co., Inc. (distributor), Houston; Acran, Inc. (fabricator of metal products and safety equipment), Austin; Matson Multi Media, Inc. (video production and services), San Antonio; Houston Learning Academy (private school), Houston.

UTAH

Strata Inc. (software manufacturing), St. George; MHTN Architects, Inc., Salt Lake City; Osborn Specialty Sewing Inc. (apparel manufacturing), West Valley City; Bear Creek Country Kitchens (food-mixes manufacturer), Heber City.

VERMONT

Vermont Bedrooms (retail), Rutland; Horizon Inn, dba Wollenhaupt, Inc. (country inn), Wilmington; Bennington Furniture Inc. (retail), Bennington; Otter Creek Brewing, Inc. (beer manufacturing), Middlebury.

VIRGINIA

Chadwick International, Inc. (housing manufacturer), Fairfax; Advanced Solutions International, Inc. (software developer), Alexandria; Care Advantage, Inc. (medical-personnel service), Richmond; Merrifield Garden Center Corp. (retail), Merrifield.

WASHINGTON

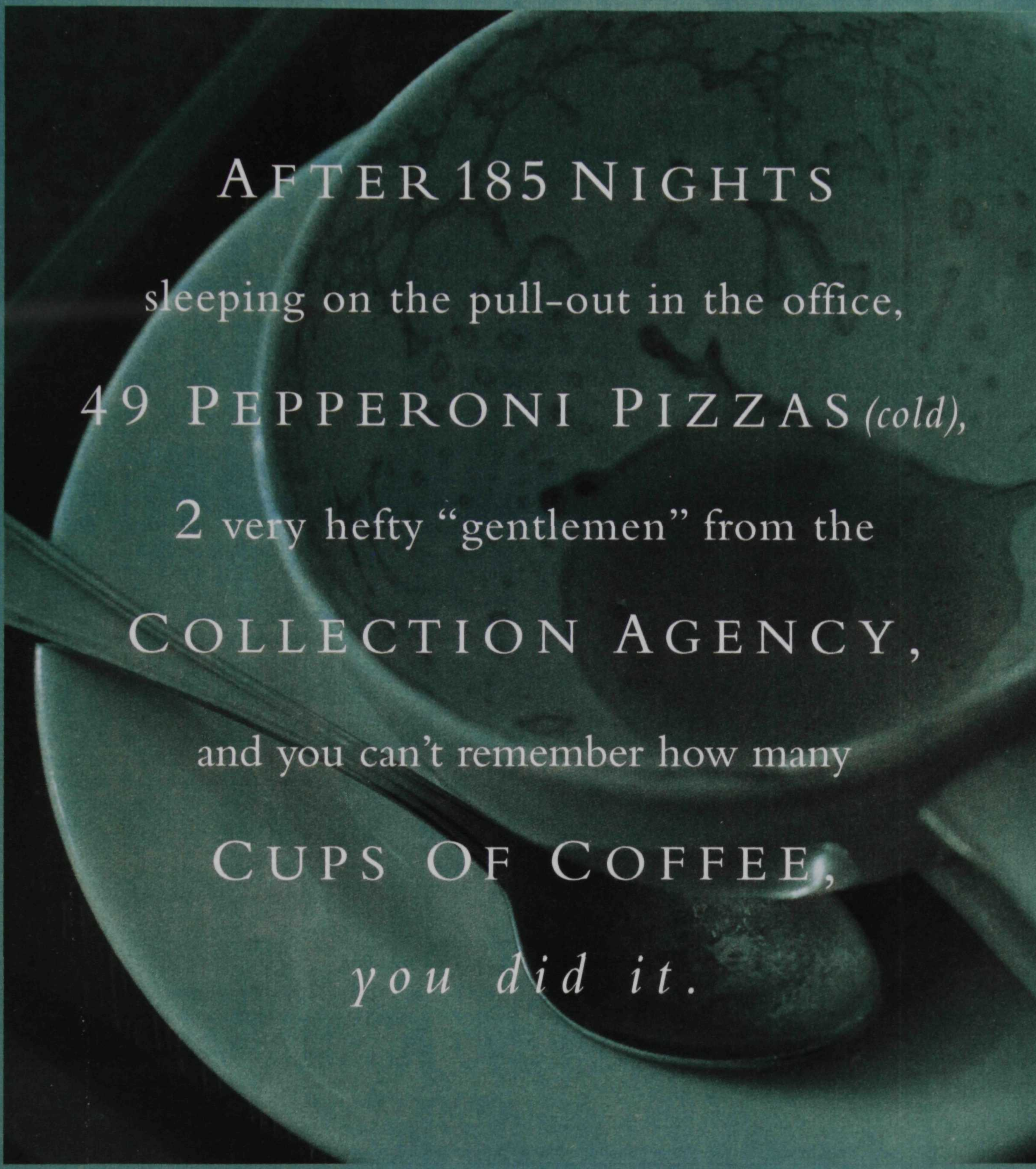
Teams NW, Inc. (transmission repair), Bellingham; Tillicum Village & Tours (dinner theater), Seattle; Pace-Edwards Co. (pickup-truck bed covers), Centralia; *WHERE Seattle* Magazine, Seattle.

WEST VIRGINIA

H & H Enterprises (rental service), St. Albans.

WISCONSIN

Bay Pharmacies Inc. (retail), Sturgeon Bay; Modern of Marshfield, Inc. (furniture manufacturer), Marshfield; Century Foods International (manufacturing), Sparta; Tailored Label Products (manufacturing), Menomonee Falls.



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MANAGING

Heading Off An IRS Audit

By Jennifer Haupt

When the Internal Revenue Service notified Barbara Rutledge that it was checking her firm's compliance with employment-tax rules, she wasn't worried. Her company was using both independent contractors—who are responsible for paying their own payroll taxes—and employees, and she thought she had complied carefully with the regulations that distinguish between the two classes of workers.

"I ran my business to the letter of the law, always filed 1099s [forms reporting the amount paid to a contractor], and figured I had nothing to hide," says Rutledge. At the time, she was president of Apollo Drywall, a Lansing, Mich., firm that she later had to dismantle because of the toll that her battle with the IRS took on her finances and her health, she says.

It wasn't until after Rutledge and her accountant had been questioned by an IRS agent for three hours that she started to worry. "The notice had stated the IRS wanted to review my tax forms, but the auditor asked me all sorts of detailed questions that I didn't expect and wasn't prepared to answer," says Rutledge.

Apollo Drywall subsequently was audited based on Rutledge's answers to IRS Form SS-8, which employers must complete during a compliance check or tax audit. The form is used by the IRS to determine if a worker is an employee or an independent contractor. Apollo Drywall was assessed \$26,112 in back taxes and penalties for having misclassified workers as independent contractors in 1987 and 1988.

Four years later, a federal court ruled Rutledge was entitled to a full refund of the tax assessment and two-thirds of the \$23,000 she had spent for attorneys' fees. But her lawyer, Patrick Hanes, a partner in the Lansing firm of Howard & Howard, says Rutledge could have avoided a lot of expense and aggravation—and possibly the audit—if she had been better prepared for the compliance check.

"The biggest mistake business owners make is taking the compliance check too lightly," says Hanes. "This is the point where you need to arm yourself with proof that workers are independent contractors, and

Jennifer Haupt is a free-lance writer in Seattle.



PHOTO: © SANTA FABIO—BLACK STAR

An employment-tax compliance check set off a four-year legal battle for Barbara Rutledge and her attorney, Patrick Hanes.

[you need to have] thought-out answers to the SS-8 form." Being called for an audit, he says, usually means "the IRS has already decided you've done something wrong."

At issue is the long-standing feud between small business and the IRS over just how to define an independent contractor. (See "Shaky Declarations of Independence," December 1995.) Last June, participants in the White House Conference on Small Business voted as their No. 1 concern the establishment of a clear-cut standard for determining who is or is not an independent contractor.

The IRS estimates that more than half of the roughly 5 million Americans now working as independent contractors should be reclassified as employees. As such, their employers would have to withhold payroll taxes—Social Security, Medicare, and unemployment-insurance taxes—and forward them to the IRS.

If you classify any workers as independent contractors, make sure you're prepared for an IRS compliance check.

In contrast, an employer who uses an independent contractor is required only to send the IRS a Form 1099, which reports the amount paid by the company to the independent contractor. It's then up to the contractor to pay all taxes directly to the IRS.

The agency contends that 60 to 70 percent of all independent contractors don't pay their taxes, costing the federal government up to \$4 billion annually in lost revenue.

To identify misclassified workers, the IRS in 1988 launched the Employment Tax Examination Program, or ETEP. Through 1994, the IRS had completed 11,380 ETEP audits, resulting in the reclassification of 483,000 workers who had been regarded as independent contractors. As of November 1995, the IRS had recommended an additional \$941 million in taxes since the inception of ETEP, although much of that amount is being appealed by business owners.

Among the standards that the IRS can apply to differentiate between employees and independent contractors is a 20-point test that an IRS agent administers during the ETEP audit. (For the 20 points, see the box on Page 44.)

"You get the sense walking into an audit that they're going to find at least one of the 20 points not in your favor," says Barry Frank, a Philadelphia tax attorney who specializes in disputes with the IRS over the use of independent contractors. He says some auditors have told him "there's no such thing as an independent contractor."

To head off an audit—and the bill for back taxes that usually follows—make your case convincingly at the compliance-check stage. Here are some suggestions from experts:

Be Careful About What You Say

Tax attorneys and accountants frequently advise small-business clients not to speak directly with an IRS auditor. A compliance check consists of a perusal of your IRS employment forms for the year or years in question and a brief interview going over your knowledge of and compliance with the 20 common-law guidelines.

"People get very nervous when talking to the IRS and don't know when to be quiet," says Howard Rosenbloom, an accountant with Shubitz, Rosenbloom, Lustig, Lustig &

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MANAGING

Co., in Miami. "When a simple yes or no will do, they go into a whole explanation of all kinds of things that the agent doesn't need to—or want to—hear." Almost always, he says, "I answer auditors' questions with 'Here are my client's records.'"

Meet At Your Accountant's Office

Have the compliance check conducted at your accountant's office, not your home or business. Although the agent is allowed to look only at your IRS employment forms—not your business records—during the compliance check, he or she may ask a question pertaining to your records.

"It can be advantageous not to have those records at your fingertips," says James Urquhart III, an Irvine, Calif., tax attorney and author of *The IRS, Independent Contractors, And You!* (Fidelity Publishing Co., \$24.95). "That way you can buy some time and prepare an answer that puts your best foot forward."

Pull Out All The Documents

Although it's never wise to say too much during the informal interview, "the best strategy for stealing the IRS's thunder during a compliance check is to give them more records and documents than they ask for," says Urquhart. "If you show them you're a serious contender and could give them a good fight in court should they decide to reclassify your workers, they may decide to move on to more promising cases."

Urquhart recently prepared a document

of more than 100 pages for a client firm that had received notice of an employment-tax compliance check and had calculated that it could be assessed more than \$1 million in back taxes.

It cost the company more than \$10,000, but it proved convincing. The IRS dropped the matter within a few months.

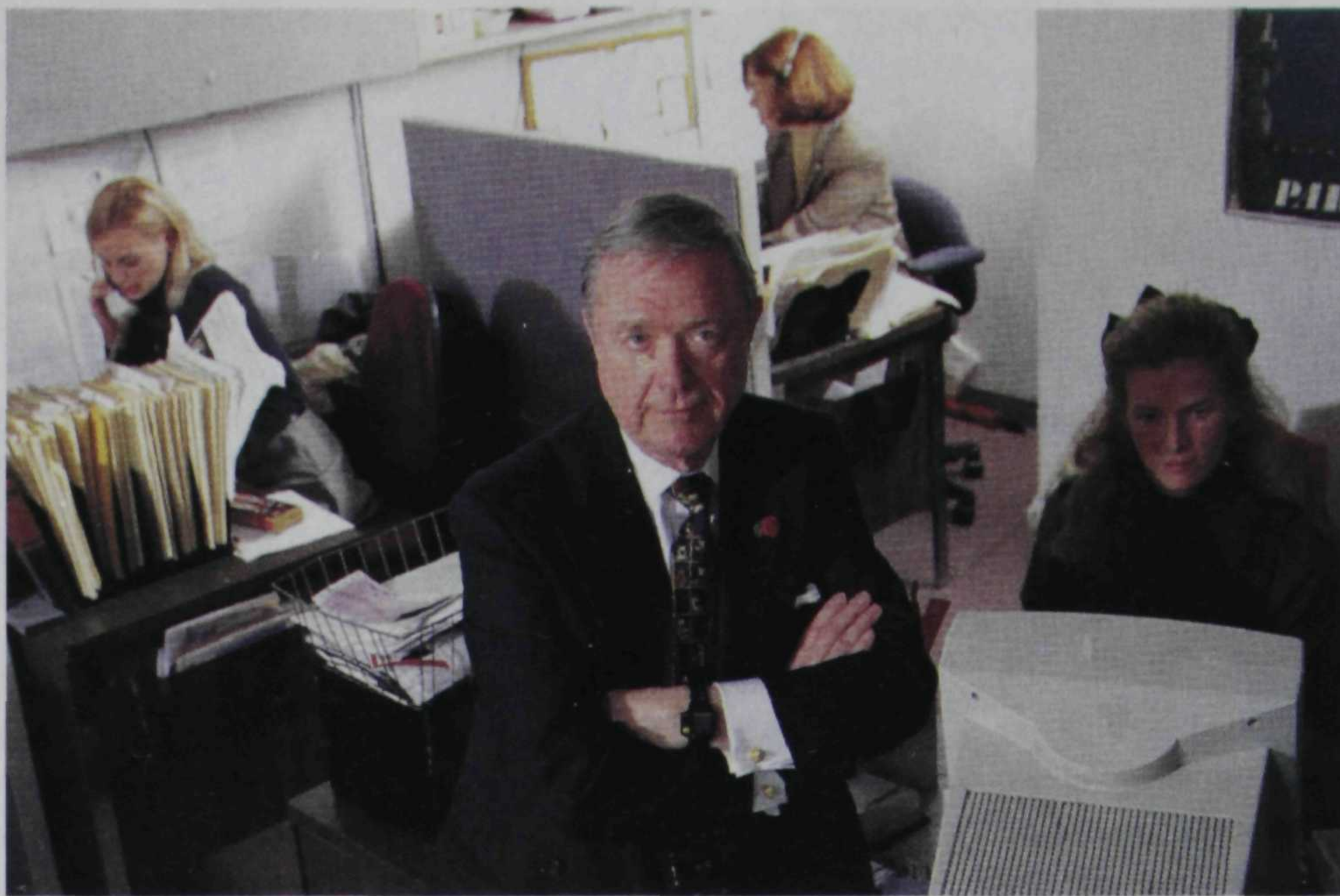


PHOTO: ©TOM SOBLIK—BLACK STAR

Travel-agency owner Ray Kane was assessed \$274,000 in back taxes after the IRS said he misclassified agents as independent contractors.

norm—and because they might lose the workers if they were treated as employees.

"It's physically impossible for the IRS to make sure all independent contractors pay their taxes," says Ray Kane, owner of Pisa Brothers Travel, in New York City. "But that doesn't give them the right to change the issue from a compliance problem to classification."

The IRS audited Kane and assessed him \$274,000 in back taxes, saying he misclassified the travel agents who work for him as independent contractors; he is appealing the assessment.

"I have colleagues who have negotiated with the IRS over this same issue and settled very cheaply by agreeing to convert their workers," says Kane, who refuses to negotiate and intends to take his case to federal court if he loses his appeal in tax court. "It's a matter of ethics for me. I've scrupulously followed every guideline of the law, and my rights as a business owner are on the line here."

In Michigan, former company president Rutledge now helps run her husband's firm, Spartan Drywall, in Lansing, and they're doing things differently this time around. "Every independent contractor who works for us is required to have a DBA [doing business as] license from the county to prove they're a separate business, and everyone signs a contract," she says. "And if we ever receive notice [from the IRS] for another compliance check, they'll hear from our lawyer and not a word from me."

NB

An Ounce Of Prevention . . .

To be an independent contractor, a person who provides services should, among other things, be legally established as a separate business, maintain offices apart from yours, and submit invoices on his own stationery. Under the Internal Revenue Service's 20-part test, a person is an employee rather than an independent contractor if that individual:

1. Must comply with company instructions about when, where, and how the work is to be carried out.
2. Is trained by the company.
3. Performs duties integrated into the company's general operations.

4. Must do the work personally.
5. Is primarily responsible for providing a service, and the company hires, supervises, and pays assistants.
6. Maintains a continuing relationship—even one in which work is performed at irregular but frequent intervals—with a company.
7. Works a schedule set by the company.
8. Is substantially a full-time worker.
9. Works on company premises.
10. Performs duties in an order or sequence set by the company.
11. Must submit regular or written reports to the company.

12. Is paid by the hour, week, or month.
13. Is ordinarily compensated by the company for job-related expenses.
14. Uses a significant amount of company-provided tools and materials.
15. Has no investment in the resources required to perform the service.
16. Cannot realize a profit or suffer a loss through the provision of the services.
17. Does not work for more than one company at the same time.
18. Does not consistently seek work from the general public.
19. Can be fired for reasons other than failure to produce results specified in a contract.
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FINANCE

Before You Buy, Be Careful

By Steven B. Kaufman

Grant Beck, the president of Base-Line Inc., a Kent, Wash., manufacturer of products used in the lithographic printing process, knew he had to move fast. He wanted to buy a similar business in Connecticut to gain a foothold in the Northeast, but creditors were threatening its survival.

So two years ago, in a span of only two weeks, Beck bought the company's assets for \$150,000—without the help of a business-acquisition specialist or a thorough examination of the company. Soon thereafter, he paid a fat premium: enormous headaches and \$250,000 in red ink.

Beck had relied on financial statements that dramatically inflated the company's sales volume, he says. "I learned that if the time line is that tight, you walk away."

Beck's episode illustrates the downside of what business brokers nationwide say is a hot trend in the '90s—purchases of small companies by entrepreneurs and would-be entrepreneurs who are determined to shape and improve their economic destiny. The movement is powered in part by the wave of corporate downsizings, which have led many displaced executives to decide they want to own their own businesses rather than work for someone else.

But those seeking to buy a small business need a healthy dose of professional help and skepticism—and some luck. As much information as possible must be unearthed before a prospective buyer can reasonably gauge the likelihood of success.

"Part of the problem is that entrepreneurs are risk-takers to begin with," says Ole Carlson, a suburban Seattle manager for The Executive Committee, a San Diego-based company that creates teams of small-business owners who consult with one another. Such entrepreneurs, he continues, "run more on their gut than their intellect. They tend to fall in love with deals rather than analyze them."

A way to avoid that problem, say those familiar with buying and selling companies, is to assemble a team of experts, including an acquisition specialist or a business broker, a lawyer, an accountant, and an insurance broker. Such a team usually costs an entrepreneur \$3,000 to \$20,000, depend-

ing on the size of the business and the complexity of the deal. But experts know what to analyze in order to minimize the chances of a bad purchase.

Key considerations are whether a firm is financially solid—generally meaning it has been profitable for at least three years and has a solid balance sheet—and whether it has a history of stable employment.

Acquiring a business requires a lot more work than simply finding one for sale.

Where do you find businesses for sale? About 85 percent of opportunities are tucked within the unadvertised "hidden market," says Michael Sipe, president of Private Equities, a San Jose, Calif., consulting firm for small-business acquisitions. Such businesses have a low profile—often because their owners have been involved in a recent divorce or there's been a death in



PHOTO: ©LINDA SUE SCOTT

Before buying *Rational Technology Inc.*, Larry Hammons, right, interviewed employees, including David Wagner, left, Mike Syers, and Wendy Klein.

The most important checkpoint, others say, is to distinguish between cash flow and profit. Buyers who look strictly at the bottom line may not realize that a business may have to pay its vendors within 30 days yet offers 60- or even 90-day terms on its receivables. The difference can be fatal.

Entrepreneurs should avoid any business whose owner says he or she doesn't report all of its profits to the Internal Revenue Service. Such underreporting is surprisingly common, says Steven Maynard, president of Business Acquisition Systems, a Sunnyvale, Calif., consulting firm. He says the IRS could ultimately hold you, not the former owner, responsible. "And if he's lying to the IRS, he may be lying to entrepreneurs about plenty of other things," Maynard says.

the family—and have not yet been listed for sale. They offer buyers the best opportunities, experts say, because there is minimal competition among prospective purchasers.

The hidden market is accessible by networking with lawyers, accountants, bankers, and insurance brokers who specialize in serving small business.

Though most business brokers focus on the nonhidden market and represent sellers, not buyers, they obtain good listings and are useful resources, say experts in the field. Good brokers show buyers the true earnings of a business, qualify buyers, and help close the deal. They typically advertise in the Yellow Pages; small-business lawyers and accountants can steer entrepreneurs to the best of the lot.

In the end, the best that an entrepreneur

Steven B. Kaufman is a free-lance writer in San Jose, Calif.

FINANCE

can do is assemble a top-notch team of professional advisers, do extensive due diligence (a thorough investigation of the business, similar to one an investment banker might perform), and hope for the best. There are no guarantees.

Take Ed Blanchard, for example. He took all the right steps in August 1994 when he bought AET Thermal Inc., a Milpitas, Calif., maker of rapid-thermal-heating systems for the semiconductor industry. Due diligence unearthed that the former owner had given some customers a guarantee of up to three years on equipment without specifying what the warranty covered. So Blanchard worked out a pact allowing him to relinquish responsibility for contracts that made him uncomfortable.

He still ran into trouble, however. He didn't learn about one undisclosed contract until it was too late—it required that a \$125,000 system perform at a level that was essentially undefinable and that it would eventually be replaced if it did not.

"A business owner will open his books and show you purchase orders and a history of relationships with his vendors," Blanchard says. "But what you don't see are special contracts or relationships that have changed for the worse, and that kind of thing can kill a business."

"Buying a business can be a treacherous affair. But if you do your homework, . . . it can be a tremendously satisfying experience."

—Business Owner Larry Hammons

Fortunately, many business acquisitions work out fine. Larry Hammons bought Rational Technology Inc., a San Jose contract-engineer placement firm, in March 1994—his third company in two decades and by far his best purchase. He paid a fair price and got well-trained employees, a trouble-free computer system, and the former owner's commitment to train him after the purchase. Best of all, sales and profits are rising 40 percent a year. "Buying a business can be a treacherous affair," Hammons says. "But if you do your homework, thoroughly understand the basics of the business, and get some breaks, it can be a tremendously satisfying experience."

Hammons was due for some luck. His

first two companies went belly-up as a result of circumstances largely beyond his control. He knew he had to be especially careful the third time around. He responded to a newspaper ad for a distribution company. The broker representing the firm persuaded him to look instead at Rational Technology, which appeared to be a better match for Hammons.

Hammons met the owner, studied the company's finances, and agreed to buy the firm, contingent on a more-thorough and successful examination of the company. Then he did 3½ weeks of research, which cost nearly \$20,000. Hammons hired an attorney and two CPAs to examine the company's contracts and its books. He analyzed the company's computer systems, and he interviewed all nine employees. "This is a service business," he explains. "It's the employees who ultimately make or break the business."

Based on his experience, Hammons recommends that those in the business-acquisition market—when they find the right company—be willing to spend more to buy it than they might have expected to pay. "It's easy to find a lousy firm you can afford," he says. "But the owner of a good firm knows it's good. He's not going to sell it cheaply."

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MANAGING

How Advisers Can Help You Grow

By Dale D. Buss

Mike Strand is no entrepreneurial lightweight. In just seven years, the 32-year-old has built StrandWare Inc., his company in Eau Claire, Wis., from a mere glimmer in his eye into a \$3.2 million firm with 35 employees. StrandWare markets its proprietary bar-coding software all over the world.

But even Strand realizes that to really succeed as the owner of a growing business, he needs a little help from his friends—old and new. That's why he began last fall to organize a paid board of advisers that could help shepherd StrandWare to its next phase of development.

"It's getting to the point where finding expertise in management, and even my own expertise, is beyond the capabilities I can have internally," Strand says. "Not only that, but a lot of the decisions I used to make were \$10,000 decisions. Now, they're getting into \$500,000 decisions, and I can use the advice."

Milwaukee-based Sport Tours International has had a three-member board of directors for the past two years; it includes two experienced outsiders along with Lee Frederick, the firm's president and owner. Frederick formed the board because his company essentially created its own industry—brokering American collegiate tours for foreign amateur basketball teams. Says Frederick: "There was no road map or anything that ever said what you should do in this business."

"You also figure out how alone you really are as an entrepreneur, and you need to have some difference of opinion to give you some strength," adds Frederick, whose \$2 million, six-employee company is nine years old. "This way, you can draw on people who already have some scars and bloody socks."

Strand and Frederick are joining the growing ranks of small-business owners who have organized advisory boards or boards of directors to help guide their companies. (See the box on Page 50.) Although there apparently are no statistics on the trend, anecdotal evidence from entrepreneurs, company board members, corporate consultants, and others indicates that the phenomenon is growing, aided in part by the fact that small firms are the fastest-growing part of America's economy.

"Small companies are the ones that are really focusing on getting boards of direc-



PHOTO: ©BRUCE BUCHANAN

A board of directors guides Lee Frederick in brokering U.S. tours for basketball teams of foreign players such as Poland's Wojciech Ziolkowski, left, and Jaroslaw Jechorek.

tors now," says Steven Barth, a specialist in the development of privately owned companies for Foley & Lardner, a Milwaukee-based law firm.

Boards once were a fixture mostly of large public and private corporations. But now more growing companies—including some with just a handful of employees and six-figure revenues—are convening boards.

One reason is the increasing sophistication of newer entrepreneurs, who are much more likely to have emerged from a big-company environment that valued the cultivating of advice from varied sources.

Another factor is that industries and markets are changing so rapidly—because of globalization and advancing technology, among other reasons—that small-business owners can be confounded more easily than they would have been just years ago.

The momentum also can be attributed to the fact that many small companies aspire to go public, and before doing so they must have independent boards installed to meet stock-exchange requirements.

John Langdon, for example, started his Austin, Texas, company, Medianet Inc., a decade ago and created a board, with the thought in mind that his firm might someday go public or be acquired. In

A board of directors can help a company broaden its decision-making expertise and generate more business.

August, Dallas-based Affiliated Computer Services bought Langdon's company, which monitors the results of media buying for big advertisers. It has annual revenues of \$9 million and about 175 employees; Langdon remained as president.

In addition, a large number of family-owned companies, many founded after World War II, are facing succession issues. Many of them have established boards of outsiders to help them sort through the often emotion-laden, relationship-driven questions involved, says Hal Shear, president of Research Investment Advisers Ltd., in Boston. He is a member of four private-company boards and is head of a regional chapter of the National Association of Corporate Directors.

Whatever their motives for forming a panel of outsiders to assist them, small-business owners are finding that boards can fulfill a number of functions:

Crisis Aversion

Because small-business management tends to be thin, any disruption can strain a firm's managerial capacity. That's when a supportive board can be a big help.

When Marcia Polese, co-owner of Polese Clancy, a Boston-based marketing-commu-

MANAGING

nications agency, had to eliminate the jobs of a handful of her employees in 1990, her five-member board advised her on how to do it with as much grace and empathy as possible. A year later, when Polese Clancy encountered cash-flow problems, directors recommended ways to conserve funds and stabilize the situation.

And this past year, when the company's controller died, the directors' assistance was quickly forthcoming.

If it hadn't been for two of the directors' valuable financial guidance during the time, "things would have been much more difficult for us," says Polese. "In fact, we ended up hiring one of them to be our new controller."

Boards of privately held concerns have even been known to rescue companies from themselves. In 1989, True Basic Inc., in West Lebanon, N.H., was hemorrhaging cash, reeling from high overhead, and facing a disinterested market for its computer-operating-system software, which had been outstripped by Microsoft Corp.

The four-member board, including three venture-capitalist investors in True Basic, recruited John Lutz, who had started and sold three textbook-printing companies, to take over the helm of the company and partial ownership. Lutz cut costs, reined in expectations, and professionalized the operation; the company has revived.

The board members "had been very disappointed, but they didn't rupture any of the personal relationships that were important to the company before I came in," says Lutz. "And after I arrived, they let me know they realized how difficult it would be to downsize and get things under control."

Strategic Mentoring

Outside directors not only can offer different perspectives on management challenges but also can help owners identify obstacles they hadn't even considered. The best board members function like antennae, sensing both dangers and opportunities that may be typical in business—but may be new to the owner.

"Often, an entrepreneur's self-perception is that they don't have time for that strategy stuff," says Cavas Gobhai, a business consultant who is on the advisory board of Polese Clancy. "Directors can help them focus attention on those things."

Properly selected directors can present the big picture that a business owner may

not have seen yet, or can be the voice of experience to an entrepreneur who just hasn't been through it all. The directors can serve as catalysts for action.

Because Langdon always had an eye toward selling Medianet, for example, he favored directors who had experience in buying or selling businesses; one was a retired vice president of Mobil Corp. But he



PHOTO: ©RICK FRIEDMAN—BLACK STAR

An advisory board steered the marketing-communications agency of Marcia Polese, right, and Ellen Clancy through tough times.

also found his board an invaluable resource along the way. "Sometimes," he says, "I'd get caught up in the day-to-day, wanting to make customers happy no matter what, and my board said: 'Wait a minute. Why would you spend so much on an account on which you're not making any money?'"

Sport Tours owner Frederick had never heard of what could become one of his most potent marketing tools, the World Wide Web on the Internet, until one of his board members, Larry Donald, told him about it a year ago. By the end of 1995, Frederick was establishing several "home pages" to market his company's services on the Web.

In Brookfield, Wis., Peter Roedel, president and co-owner of Roedel & Hanson, a 14-employee maker of industrial pumps and components, says he "would have been blindsided" if one of his directors hadn't recommended that the firm seek a new bank because its existing bank was beginning to ignore some small-business customers. The director's advice enabled the firm to make an orderly transition to a new bank.

Filling The Gaps

Because operating a successful small firm can require many kinds of expertise, boards can fulfill a crucial function as an auxiliary resource for day-to-day management.

"Where most entrepreneurs usually fall out of bed is financial controls," says Bob Herman, who serves on the boards of Sport Tours, Roedel & Hanson, and HM Graphics, a \$20 million printing company in West Allis, Wis. Herman was a partner with a management-consulting firm for 10 years and has spent many years putting together business plans for small companies. "When I met [Sport Tours'] Lee Frederick, he couldn't spell 'business plan,'" Herman quips. "Now, he's great at that kind of thing."

It was an experienced business owner on his board of directors who helped Rob Deabler set up a pension plan for one of his two small temporary-employment agencies in Wisconsin. "I wouldn't have been nearly as extensive in my analysis otherwise, and I potentially could have made big mistakes," says Deabler, who owns U.S. Tech Force, in Fond du Lac, and American Technical Services Inc., in Brookfield.

Networking

Robert K. Mueller, a director of Arthur D. Little Ltd., a Cambridge, Mass., consulting firm, and author of books on corporate directorship, says

directors often have networks of potential sources of capital, new business, and technology as well as information on economic trends, international contacts, and other connections that can benefit a small business in untold ways.

Frederick, for example, says that Donald, one of his outside directors, has directly recruited lots of business for Sport Tours because he's editor of *Basketball Weekly*, a magazine that is influential with coaches.

Marquee Value

A director can be "a talented or distinguished person [who] adds credibility to the firm by his or her association and identification with the enterprise," says Mueller.

"Small organizations sometimes need a name that looks good on their letterhead," says Gobhai, whose national reputation as a consultant has boosted Polese Clancy's image. "It's borrowed credibility."

How do you select good directors? Most experts recommend a combination of deliberate category-filling, finding trusted or familiar people, and seeking out creativity, wisdom, or other abstract qualities for a board.

For her board, Polese sought directors with varying areas of expertise; she ended

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MANAGING

up with an attorney, a venture capitalist, two financial consultants, and Gobhai, a specialist in creative business thinking.

Temp-agency owner Deabler, on the other hand, says that most of the people on his boards, while bringing plenty of collective wisdom to the table, "are my friends."

Gobhai says the best directors should have "knocked around a little bit more than the entrepreneur and have a jack-of-all-trades sort of knowledge of the many functions that can go into an entrepreneurial venture that doesn't yet have the advantage of specialization." For just such a reason, many business owners make sure to recruit a lawyer, accountant, small-business consultant, or other business professional for their boards before anyone else.

Herman, the director, recommends retired or semi-retired executives like himself. "People like me can make a major contribution," he says. "And they've usually got the time." What's more, with managerial workers living longer after retirement and with corporate downsizing during the past decade having created legions of corporate emigres, there are plenty of candidates available.

Despite an entrepreneur's best efforts, however, creating a board can bring on new problems as well as opportunities. While rarely challenged for control, some owners come to resent feeling required to hand out confidential information to people who still are not owners of the company. Many small firms give their board members monthly financial reports, for example. And some owners find their advisers a little too free with advice or occasionally would rather not justify their decisions to a board.

On the other hand, says consulting-firm director Mueller, some entrepreneurs can become too dependent on directors. "They can come to regard board members as prosthetic devices for the inadequate resources that the company may have on staff or in top management," he says. "Or they try to let a board have the responsibility of the owner or CEO in ultimate decision making," which can cause problems.

For the most part, serving as a director provides big advantages for board members. If they are professional-services providers, they can pick up additional business. Directors get the opportunity to leverage their reputations and expertise into more influence. They get to network, too. They may also get first crack at investing in growing companies.

And usually, they get paid, even by small companies. Frederick, for example, pays his directors \$250 for each of two meetings a year; software-firm owner Strand was planning to pay his advisory-board members about \$1,500 for each twice-yearly weekend-retreat meeting at a local resort.

Successful business people like to help others "get to the next level faster and avoid making a lot of mistakes."

**—Company-Development Specialist
Steven Barth**


A larger private company with, say, \$10 million in annual sales typically will pay each board member around \$5,000 a year plus \$300 to \$400 for each meeting and travel expenses, says consultant Robert Galecke. He is a principal at Pate Winters & Stone Inc., a consulting firm in Dallas, and is a regional head of the National Association of Corporate Directors.

Yet many business owners don't offer financial compensation to members of an advisory board. Deabler, for example, just sends his board members, all local residents, wine and other gifts at year's end.

Barth, the Milwaukee lawyer and an adviser to Deabler, says an intangible bond often makes directors as excited about being on boards of small, growing companies as the owners are to have them aboard. Business people who have made it like to help others "get to the next level faster and avoid making a lot of mistakes," he says. "They want to help this person get to where they've already been."

"And they can usually make that happen."

NB

 To order a reprint of this story, see Page 64.
For a fax copy, see Page 35.

Advisers, Directors, And The Law

Some business owners form "advisory boards," while others put together "boards of directors." What's the difference? Not much in the crucial arena of legal definitions, and therefore not much generally, experts say.

Historically, business made a distinction based on a difference in authority and responsibility. Owners created an advisory board if they desired more or less casual guidance from members, for little or no pay.

In contrast, members of an official board of directors were expected to give their duties more attention. Though not possessing any authority over the company's shareholders, they had "fiduciary" duties and generally received compensation.

A director's fiduciary duties primarily are legal obligations to be a conscientious steward of the company. Such duties extend beyond the interests of the owners or stockholders, even though they own the company. "Say management isn't paying withholding [taxes to the IRS] or is abusing customers or employees," says Robert Galecke, a principal of the Dallas business-consulting firm of Pate Winters & Stone Inc. "A director has the responsibility to take action against the owner."

In recent years, however, the landscape has been changed and the old distinctions have been basically rendered meaningless by the "liability crisis" and by legal decisions.

Rising litigation against the directors of publicly held companies sent chills through the corporate-governance community several years ago. While suits

against directors of privately held companies remain rare, more and more individuals won't serve as directors of public or private companies without directors' and officers' (D&O) liability insurance. Such insurance can easily be a six-figure expenditure even for a small company.

Business owners in many states can get around the need for D&O insurance because their legislatures recently have enacted laws that specifically protect directors of both public and private companies from lawsuits. Certain states, such as Wisconsin and Texas, have very strong legislative protections for directors.

Some business owners believe they can dodge the liability issue by maintaining an advisory board rather than a board of directors. But increasingly, that doesn't work. Recent court rulings have led experts to advise company owners that "as a practical matter, there isn't a whit of difference" between advisers and formal directors, says Hal B. Shear, a Boston-based business adviser.

"A rose by any other name is still a rose, because [advisers] typically are doing everything they otherwise would do as a director," says Steven Barth, a corporate-governance expert for Foley & Lardner, a large law firm based in Milwaukee. And in the states that protect formal directors, he adds, "you're probably in a worse position being called an 'adviser' because you don't get the statutory protection a director receives."

The bottom line? When in doubt, hire a lawyer to help you sort out the pros and cons of advisers vs. directors in your state.

TRAVEL

Clever Gear, Packed To Go

By Hal Morris

For photo expert Rhon Engh, appearance is important, and not just in pictures. When he travels on business, Engh is always prepared to remove any mealtime splatters on his shirt or tie with a marker-size stain-remover stick. "I never leave home without one," he says.

Indeed, the \$3.85 stick that removes greasy stains from fabrics has been a "dynamite seller" for three years at Magellan's, according to John McManus, president of the catalog company. The privately owned firm specializes in several hundred travel essentials and is based in Santa Barbara, Calif., where it also operates a retail store.

The stain remover is among must items—many of them not at all high-tech—that make life easier and safer for road warriors like Engh, who owns PhotoSource International, in Osceola, Wis.

Other top Magellan's items for business travelers include:

■ Desk-drawer tools—stapler, scissors, pen, staple remover, carton opener, hole punch, tape measure (to 40 inches), and pencil sharpener—all in a 5-ounce, 4½-inch-long "multiworker" kit for \$16.85.

■ A battery-operated, pocket-size tone dialer (\$12.85) for use in places where rotary (pulse) phones are still in operation.

The user places it on a telephone mouthpiece and then pushes buttons to generate tones to access "press 1" menus, financial accounts, and answering machines.

■ Among popular products tailored for

use in hotel rooms is a \$99, 1½-pound, battery-operated machine that emits sounds such as rainfall, a waterfall, and the surf to mask sleep-disturbing noises—and also serves as an alarm clock. Another item is a fold-up steam, spray, and dry travel iron (\$34.85 and about a pound and a half).

■ Popular with solo women travelers who stay in hotels are security items such as a battery-operated doorstop (\$9.75) that sounds a siren alarm if someone—an intruder, say—tries to open a door against it. Another device is an adjustable security wallet (\$11.85) that is worn around the neck and hidden inside a sweater or blouse.

Items on the high-tech side include the pocket-size Voice Organizer with 1,024 kilobytes of memory (\$229.95) from The Sharper Image. The device stores voice-recorded appointments and up to 400 telephone numbers. To review a day's schedule, for example, the user simply speaks the date to hear the playback.

"Voice-powered technology is extremely popular, and the voice organizer is among our top 10 sellers," says Sydney Klevatt, senior vice president of marketing for San Francisco-based The Sharper Image, which sells through catalogs and 80 U.S. retail outlets.

Most popular with international travelers, es-

pecially those who take along laptop computers, are grounding adapter plugs (\$7.85 to \$9.85) designed for use in various countries, says McManus of Magellan's. "We go through these by the thousands."

Personal-protection devices

From stain-remover sticks to satellite navigation systems, gadgets for travelers cover the map.



Travel tools, clockwise from below right: the Door Stop Alarm, a sound machine, a hidden pocket (all from Magellan's), the Voice Organizer; and the Air Taser (both from The Sharper Image).

are grabbing attention as well. The Sharper Image offers the Air Taser (\$249.95), a 20-ounce, flash-

light-size device—similar to the Taser used by police—that emits electronic pulses that temporarily incapacitate an attacker. Also available is a pager-size personal-safety siren (\$29.95), which can be concealed up a sleeve or worn on a belt, doubling as a flashing fore-and-aft beacon while walking or jogging.

Need a name and title in a hurry? Among electronic pocket organizers is a compact unit with 64 kilobytes of memory and a screen that displays up to six lines for names, addresses, memos, and telephone numbers. It's available at Radio Shack (\$90) and some office-products and electronics stores.

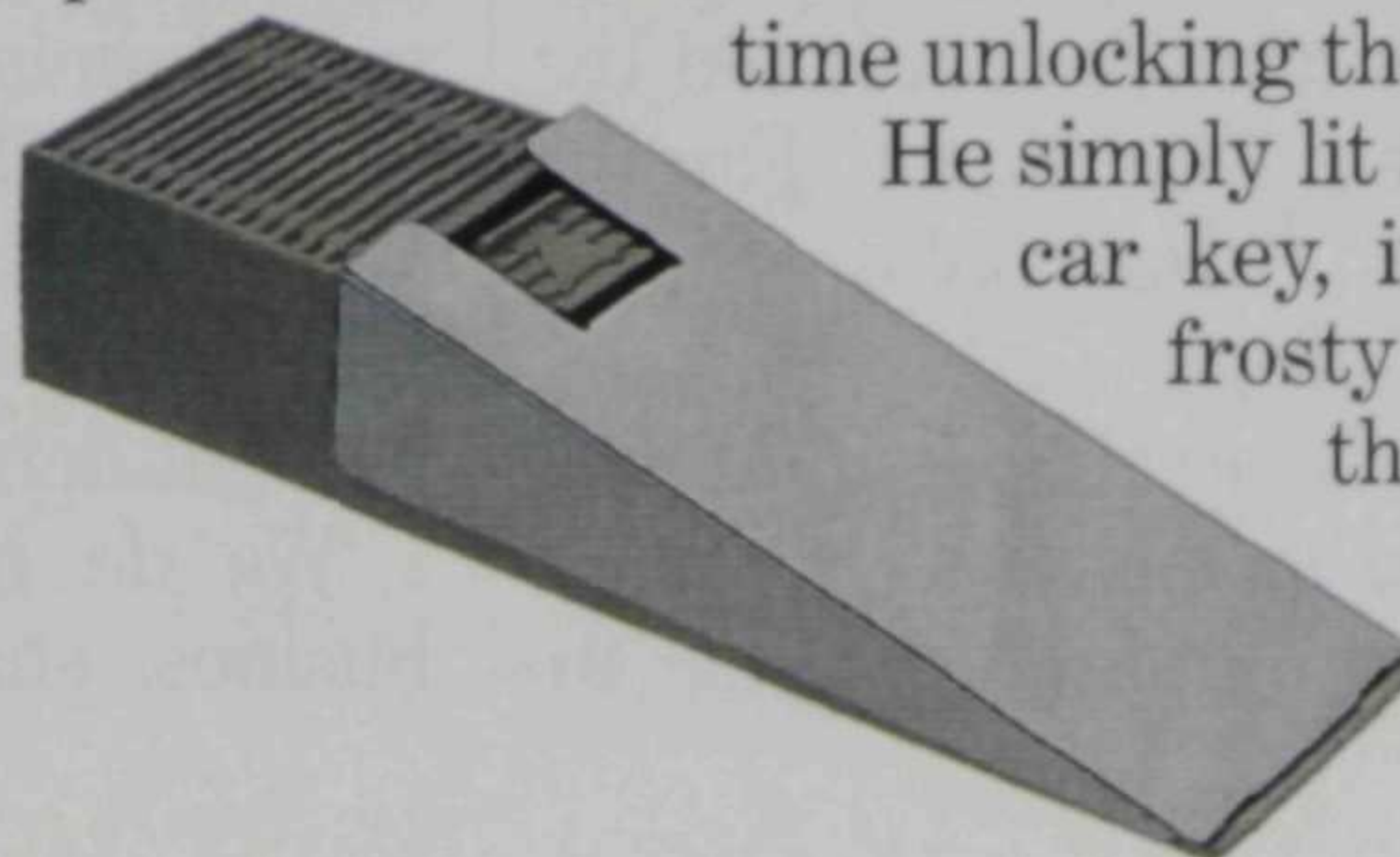
A larger version, found at Office Depot (\$100) and similar outlets, holds up to 2,000 names and telephone listings in its 128-kilobyte memory and includes a clock, a calendar, a schedule with alarm, and a calculator.

Weather-wary travelers can stay on top of conditions by dialing one of three main National Weather Service frequencies on Radio Shack's calculator-size, 4.4-ounce Weatheradio (\$20).

For those who fear getting lost when driving to an unfamiliar destination and don't mind spending about \$3,000 (installed) to get directions, there's Sony's NVX-F160 Mobile Navigation System. It uses satellites to pinpoint a driver's location within 100 to 700 feet of actual position. Location is constantly updated on a street-by-street, CD-ROM-based digital map on a 5-inch color screen. The unit also contains an address finder.

Not all travel aids are found in catalogs or specialty stores, however. Returning to his rental car on a frigid winter day in Detroit, business traveler Engh had a difficult time unlocking the door. No problem.

He simply lit a match, heated the car key, inserted it into the frosty lock, and presto!—the ice in the lock melted, and the key worked. **NB**



Hal Morris is a free-lance writer in Las Vegas.

Family Business

New and insightful resources; when debt isn't necessarily bad; repaying those who helped you get to the top.

OBSERVATIONS

Sharing The Written Word

By Sharon Nelton

Here are some useful resources for and about family businesses that have recently come to our attention:

Publications

■ *Family Money*, a newsletter on the "unspoken issues related to wealth," is published three times a year by Judy G. Barber, a family-business consultant who specializes in the psychology of money. Recent topics have included coping with prenuptial agreements, turning kids into financially responsible adults, and successful transitions in family businesses.

A subscription is \$35 a year. For a complimentary copy, write or call *Family Money* at 1515 Fourth St., Suite B, Napa, Calif. 94559; (707) 255-6254.

■ *A Guide to Family Business Education in North America—1996* is a 188-page book that compiles information on more than 90 family-business education programs—most of them university-based—in the U.S. and Canada. It should enable families to find the educational

opportunities nearest them or most valuable to them.

The research was sponsored by Massachusetts Mutual Life Insurance Co. and was conducted by Randel S. Carlock, who is director of the Institute for Family Business at the University of St. Thomas, in Minneapolis.

For a free copy of the directory, call MassMutual at 1-800-494-5433.

Books

■ *Working With Family Businesses: A Guide for Professionals* (Jossey-Bass, \$29.95) is a handbook for family-business advisers in all disciplines. Its authors are five highly regarded family-business consultants: David Bork, Dennis T. Jaffe, Sam H. Lane, Leslie Dashew, and Quentin G. Heisler. Topics include the dynamics of a family business, helping families in conflict, and estate planning.

The book is available in bookstores or from the publisher at 350 Sansome St., Fifth Floor, San Francisco, Calif. 94104-1342; (415) 433-1740.



PHOTO: T. MICHAEL KEZA

■ *A La Sombra del Roble: La Empresa Privada Familiar y su Continuidad*, by Ernesto Poza Valle. At last, a book for Spanish-speaking business owners and consultants by a family-business expert who has worked extensively in both the U.S. and Latin America. (The title translates to *In the Shadow of the Oak: Continuity in the Family-Owned Business*.)

The book can be purchased for \$28 from Editorial Universitaria, 37300 Jackson Road, Chagrin Falls, Ohio 44022; (216) 247-6300.

■ *The Family Business: Insights Into Working With Family*, by Michael J. O'Malley Jr. This little softcover is full of fun and bits of wisdom. For example, family members will probably agree with O'Malley, a family-business consultant, when he writes, "In a family business, your weaknesses are magnified and your strengths are taken for granted."

The book is \$11.20 from Family Business Dynamics, 2102 N. Clifton, Chicago, Ill. 60614; (312) 477-0247.

PLANNING

Reducing The Risks Of Family-Business Growth

By Craig E. Aronoff and Joseph H. Astrachan

Family-business owners are bullish on their own prospects. Recent research shows that two-thirds of family-business owners anticipate average annual revenue growth of greater than 6 percent over the next five years. Nearly two-thirds (64 percent) think they will hire more employees over the next five years.

These figures come from a survey of 4,000 family-business owners conducted by the Arthur Andersen Center for Family Business, Kennesaw State College, and Loyola University Chicago.

We've heard financial strategies in family businesses expressed in many ways, ranging from "I just want to get out of debt" to

"I'll take every dollar anyone will lend me." Our experience suggests that more family businesses would make the first statement; they don't like debt and the risks that it causes.

Unwillingness to use debt, however, can restrict a company's ability to grow. Professionals in corporate finance develop strategies that blend debt and equity to maximize return on investment and support business growth. The Arthur Andersen survey shows that companies with debt expect more and faster growth than do those without debt.

We do not suggest that every family business should run out and borrow money



PHOTO: ©ALLISON SHERREFFS

Craig E. Aronoff, left, and Joseph H. Astrachan teach at Kennesaw State College in Kennesaw, Ga. Aronoff holds the Dinos Chair of Private Enterprise; Astrachan is associate professor of management and entrepreneurship. Copyright © by the Family Business Consulting Group, Inc.

for growth. Nonetheless, in a recent Massachusetts Mutual Life Insurance Co. survey of 1,029 business owners, 54 percent said they feel they have excellent access to capital. Besides capital, growth requires market opportunities, managerial ability to take advantage of opportunity, and the desire and motivation to grow.

In our experience, family-business owners realize that growth, debt, and risk can further complicate family relationships. Aggressive growth strategies require more-sophisticated management practices and better communication with family owners. Communication, management controls, and accountability help reduce risk from growth and greatly reduce stress and perceptions of undue risk among family members.

In analyzing the MassMutual study, we found that old, multiple-generation family businesses tend to have three things in common: a strategic plan, a board of directors, and family meetings.

Each of these characteristics seems to be associated with business growth and the ability to manage growth and economic downturns well.

Growth, particularly rapid growth, requires strategic planning. And families that are conflicted over business direction, we find, become much more supportive when management develops and expresses a clear direction and a plan to get there.

For family businesses embarking on growth strategies that require greater risk, having an active board of directors becomes even more important. Boards can provide oversight, ideas, and experience to help companies manage risk responsibly. (For more on the subject, see "How Advisers Can Help You Grow," on Page 47.)

The Arthur Andersen research shows that three-fourths of businesses that hold regular family meetings expect significant growth, compared with 60 percent of those that do not meet. Family meetings are an important way to build consensus for growth.

Here are some things we believe growing family businesses should do in their family meetings:

- Clarify family goals. Discuss how business growth can help achieve those goals. Examples include providing employment opportunities for more family members, remaining competitive in a changing industry, and building wealth.

- Make sure that the family understands the use of debt in business. Take the time to help the family grasp the basic

corporate-finance concepts, principles, and ratios.

- Develop clear policies on debt levels, expected return on investment, and rewards to owners. The family should understand that business leaders are taking a responsible and disciplined approach to risk and that family owners can expect rewards for the risks they are asked to assume.

- Share financial reports with family owners on a regular basis—quarterly often makes sense. Emphasize results, of course, but also discuss key ratios that indicate how well risk is being managed.

- Discuss estate plans with the family. Careful planning is required to assure that the benefits of risk and growth

remain with the business and the family. Unless estate planning is accomplished and understood, growth will simply cause estate taxes to be higher and harder to pay.

From the perspective of Wall Street or a graduate business-school classroom, the goodness of growth is seen as a given. In family businesses, growth cannot be taken for granted. The research shows that one-third of family businesses do not expect to grow—

many because they choose not to.

Many families want businesses of a size that they can control, and no larger. Many families prefer to minimize risk. Some families fear family conflict that may come from growth.

But the main resistance to growth, family leaders tell us, is that once a business has been built that provides a comfortable life, there is little incentive to grow. The biggest disincentives to growth, according to the MassMutual survey, are income taxes (identified by 38 percent of respondents), estate taxes (28 percent), and capital-gains taxes (14 percent).

Research shows us that the financial capacity for expansion exists. Our experience shows us that many family businesses have market opportunities and capable management available to achieve growth, and we have seen that family commitment to growth can be built. The means and method for growth are available. What's often lacking is the motivation.

That may very well require changes in the tax codes.

To obtain a free copy of the Arthur Andersen survey, call 1-800-924-2770. For a copy of MassMutual's 1995 research findings, call 1-800-494-5433.



ILLUSTRATION: TROY THOMAS

MARK YOUR CALENDAR



March 3-5, Boca Raton, Fla.

"Family Businesses & Offices" is a forum on wealth and family-firm management for technical professionals such as investment consultants, trust- and estate-planning attorneys, and taxation specialists. Contact the Strategic Research Institute at (212) 302-1800 or 1-800-599-4950.

March 14, Weston, Mass.

"Strategy: Planning, Design and Implementation" is a presentation and round-table discussion that examines strategic planning. For information, call Paul I. Karofsky of the Northeastern University Center for Family Business at (617) 320-8015.

March 20, Houston

"Developing Reward, Compensation and Motivational Strategies" is a half-day workshop sponsored by the Baylor University Institute for Family Business. To be repeated March 27 in Dallas. Call Susan Meacham at (817) 755-2265.

March 21, Des Plaines, Ill.

"Estate Tax and Its Impact on the Financial Health of Your Family Business" is the topic of a dinner meeting of the Midwest Association of Family Business Owners. For information, call (708) 495-8900.

March 27-30, Eugene, Ore.

"Rejuvenation," a retreat for family-business members, covers such topics as leadership, succession, and teamwork. To be repeated July 14-17. Call the Oregon State University Austin Family Business Program at (541) 737-3326.

April 30, Cleveland

An "ESOP Workshop" on using employee stock-ownership plans for business continuity will be conducted in Cleveland and 11 other cities in April and May. For dates and locations, call the National Center for Employee Ownership at (510) 272-9461.

How To Get Listed

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to Family Business, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000.

FAMILY BUSINESS

Case Study: Rewarding Loyal Employees

Mary Jo Kaplan, 46, beamed with pride as she accepted the Woman of the Year award at an annual conference for women business owners. She was proud of what she had accomplished in the 10 years since her divorce. As a single parent, she had raised her daughter, Darla, now 23, while growing a business-travel company, Kaplan Enterprises, from an initial investment of \$10,000 to annual sales of more than \$10 million.

As she was preparing her acceptance speech, she recalled the many employees who had helped her in her quest. Billie, her first secretary, worked long hours with little pay and is now vice president.

Max, once a summer intern, is now lead travel consultant. Susan, an attorney, serves in multiple roles, from negotiator to human-resources director. Darla, who as a teenager resented the long hours her mother spent building the business, is now working in the company with the same exuberance as Mary Jo.

Now that the awards ceremony is over, Mary Jo has made a decision. "With the lean times in the past, I would like to do

something to repay the 40 employees in some way for their hard work and continued confidence in me and in the business," she says.

She has given bonuses over the years to key managers, but she would like to put a more permanent plan in place. She would like the plan to provide increased benefits for all employees, not just management, and to give employees input into the design of the plan.

"How," she asks, "can I provide for employee participation in the development of a plan? And how can we increase benefits without unnecessarily mortgaging the future of Kaplan Enterprises?"

Response 1

Find Out What Workers Want

Mary Jo is wise to recognize that knowing what the employees want is critical so that time and money are not invested in plans that are unappreciated or even resented. A task force that includes men and women of various ages and races should be established to determine, first, the benefits that employees would utilize; second, whether employees would be willing to share in the cost of benefits; and, third, a plan of implementation.

Tax-favored benefit plans are the most desirable. They include:

- Educational-assistance plans under which each employee can receive up to \$5,250 a year tax-free.

- Cafeteria plans, which provide a menu of options from which employees select benefits—such as medical expenses not covered by insurance, additional life insurance, additional vacation days, and dependent-care assistance programs.

- Retirement plans such as 401(k) plans, which allow money to be set aside and to earn income on which taxes are deferred until the employee retires and begins to withdraw the funds.



PHOTO: ©PAUL F. GERO

Mary Jane Rynd, CPA, a partner in Rynd, Carneal & Ewing, a Phoenix accounting firm.

- Employee Stock Ownership Plans (ESOPs), which are qualified, defined-contribution retirement plans that invest primarily in the employer's stock. ESOPs motivate employees to work hard because much or all of their retirement benefit depends upon the success of the business.

These plans provide deductions for the employer without benefits being currently taxed to the employee. Because of the tax advantages, all of the plans are subject to rules requiring strict adherence.

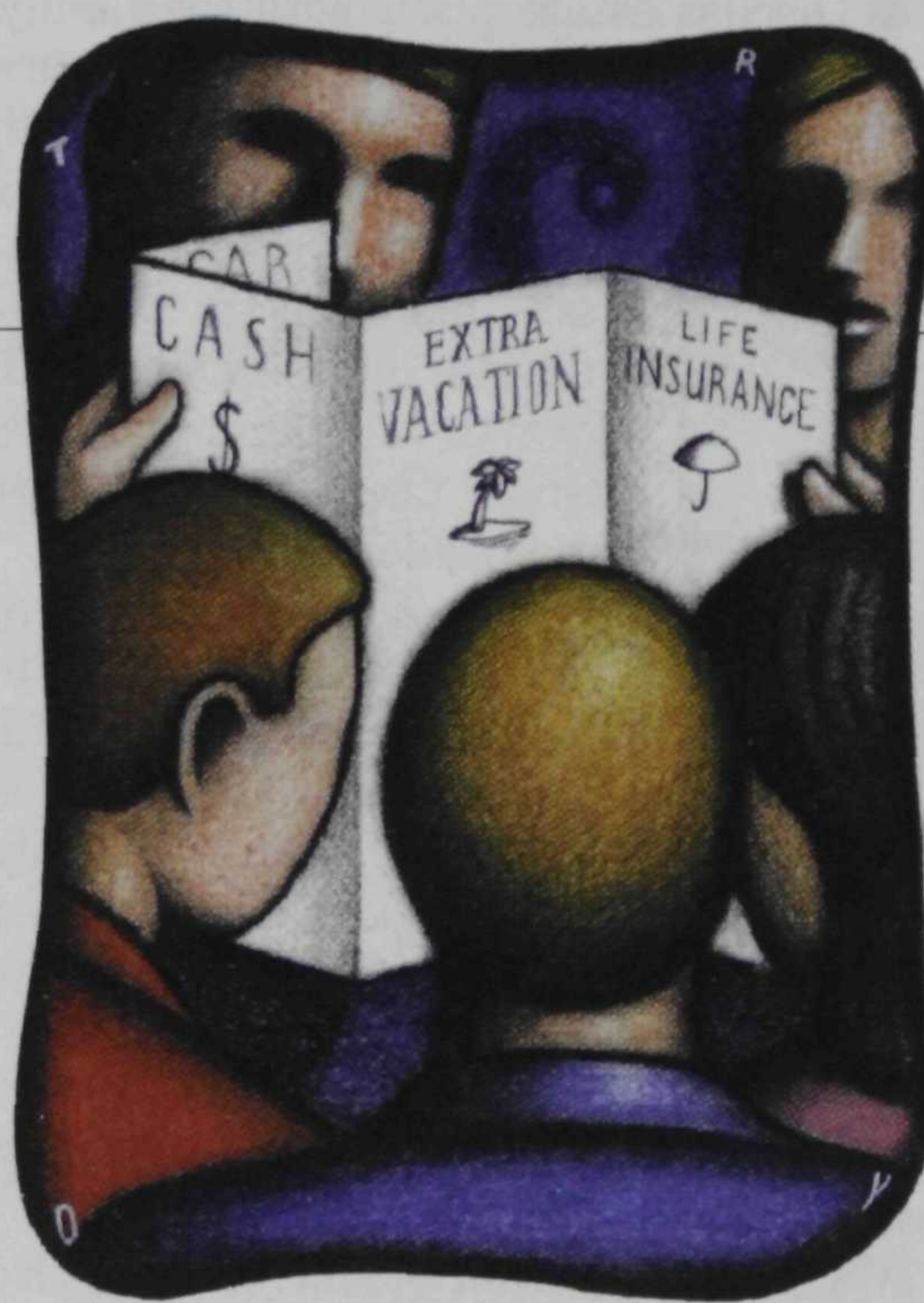


ILLUSTRATION: TROY THOMAS

This series presents actual family-business dilemmas, commented on by members of the Family Firm Institute and edited by Georgann Crosby, a consulting partner in the Family-Business Roundtable, a consulting organization in Phoenix. Identities are changed to protect family privacy. The authors' opinions do not necessarily reflect the views of the institute. Copyright © by the Family Firm Institute, Brookline, Mass.

Response 2

Prepare For A New Management Style

Mary Jo's success makes her want to compensate her staff more generously. But even generosity can be destructive when poorly thought out and implemented. Mary Jo must choose her path wisely at this juncture, because her choice will redefine organizational relationships.

Mary Jo's desire to make a change in compensation faces several challenges. First, the company is

too small to have a menu of services to satisfy the various needs of employees at different stages of life (e.g., single mothers with small children, or grandparents near retirement).

Second, she needs to avoid creating a plan that would be taken away if the company became less prosperous.

Third, allowing employees to help design the benefits sounds like a different management style for Kaplan Enterprises. While participative management can be highly productive, making the transition to this mode still requires leadership. Mary Jo may need help from a consultant skilled in this kind of organizational change. The first step will be to create a process for Mary Jo and

key managers to define a new philosophy of compensation that is linked to profits.

After management has articulated the philosophy and general characteristics of the new benefits package, the employees should select representatives for a task force to help management design the specifics of new benefits. If Darla is a potential successor and is suited for the task, she might represent owners in the deliberations.



PHOTO: ©PATRICIA CORDELL

Joe Paul, a family-business consultant in Portland, Ore., specializing in individual, family, and organizational development.

Free-Spirited Enterprise

By Michael Barrier

Magic Moments—Maybe

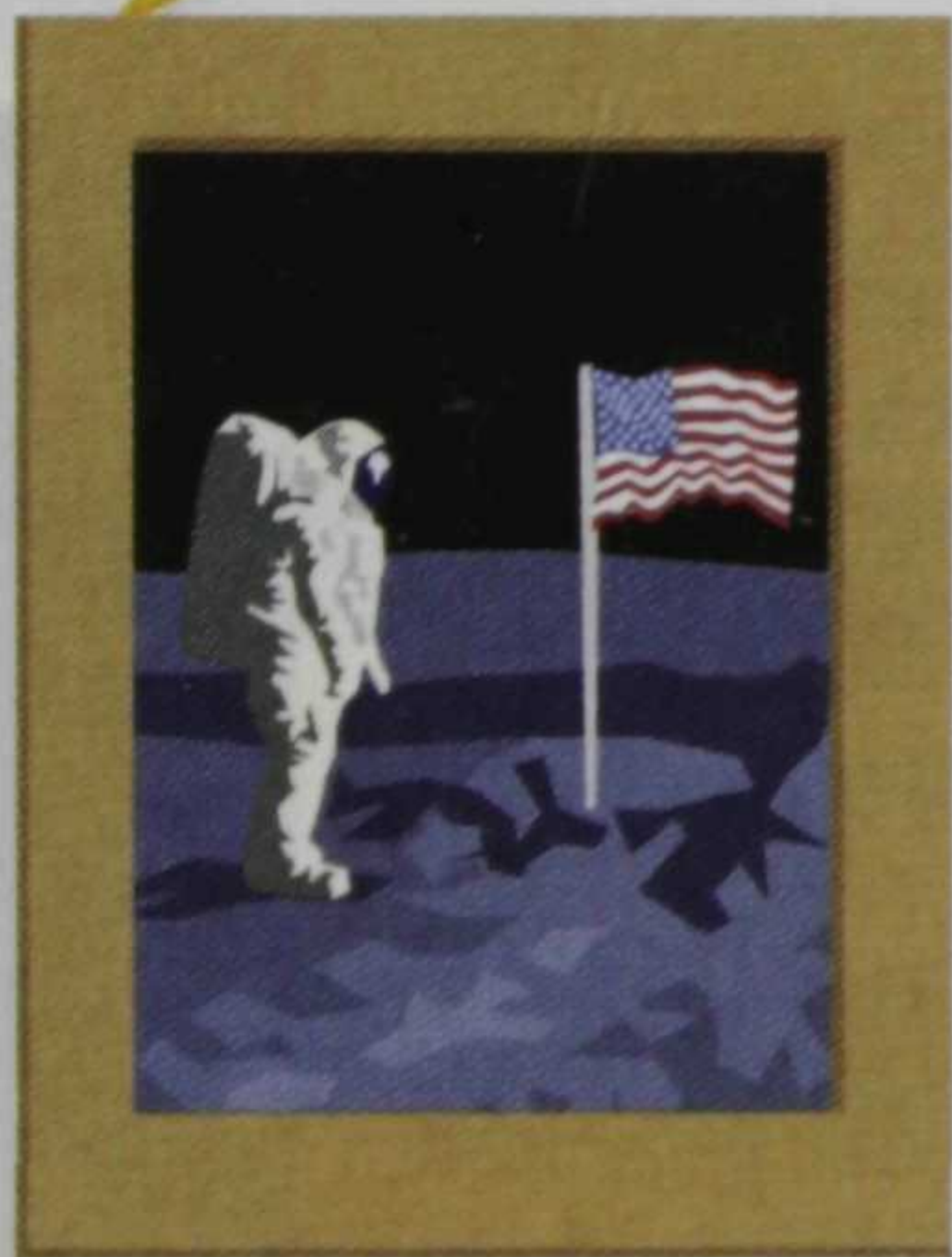
Jeff Schwartz is the principal owner of a company called Talking Frames Corp., in Carlsbad, Calif. He incorporated

One small step for man . . .

about three years ago, but the idea for the company came to him a few years before that, when he was flying home from a business trip.

"My wife had given me some pictures of my kids to have when I traveled," he says. "I'd been gone longer than usual, and I was kind of missing the family, and I looked at a picture of my son waving, and I wished I could hear him saying, 'Hey, Dad, I miss you!'" Right then, Schwartz says, "the proverbial light bulb" came on.

That light bulb did not illuminate a path to what you might think of as the logical destination—a company that sells frames containing computer chips that can be used to record brief messages. Other companies do something like that. Schwartz ultimately decided to go into what he calls "prerecorded memorabilia"—a "hybrid" combining a still picture of a famous event, in an acrylic frame, with a base holding a 20-second sound recording of "the most pivotal moment" of that event. He calls these hybrids Remarkable Moments.



Schwartz, who owned a company in the computer industry until he sold it in 1991, spent about a year and a half on research and development, he says, trying to "get a chip set that would give us reasonable [sound] fidelity," and then, starting in late 1993, began securing licenses. The first Remarkable Moment came out in mid-1994.

"You can commemorate anything for which there is sound and picture," as Schwartz notes—the 1969 moon landing, for instance—but as a practical matter, sports events have been a particularly fertile field. Among the 14 subjects in his line now, for instance, he offers—in either a desktop or an 18-by-24-inch wall version—a Remarkable Moment depicting Bobby Thomson's celebrated home

run that carried his New York Giants past the Brooklyn Dodgers in the 1951 National League playoff game. Press a button, as you look at an assemblage of photographs of the event, and you can hear announcer Russ Hodges shrieking with joy as Thomson's blast clears the fence. Since Thomson is still with us, an autographed version of his Remarkable Moment is also available.

The best-selling Remarkable Moment so far, with 750 units sold, is the desktop piece commemorating the U.S. hockey team's gold-medal victory in the 1980 Winter Olympics. That's not a lot of units, but Remarkable Moments are not inexpensive; a desktop unit has a suggested retail price of \$69.95, and the wall versions are \$129.95. (For a catalog, call 1-800-666-3685.)

Schwartz is also starting to go after custom jobs: a portrait of a company's CEO, perhaps, accompanied by the CEO's reading from the company's mission statement. Picture, if you will, a company where there's one of those Remarkable Moments sitting on every executive's desk, so that the CEO's inspiring words are always at hand, at the press of a button. Perhaps listening to those words first thing in the morning could become a part of the company's culture.

People who don't find modern technology terrifying simply don't have enough imagination to envision such possibilities.

The King's Dominion

Also in the future may be musical Remarkable Moments. Schwartz cites as a strong possibility a photo of Elvis Presley, accompanied by a 20-second clip from the song "Hound Dog."

Ah, yes, the King. Anyone venturing into licensing must soon be aware that Elvis is "perhaps the hottest licensed celebrity property that there is," as Todd Thurston puts it.

Thurston and David George, both in their 20s, are principals in a Lenexa, Kan., company they started last year—they call it the David Christopher Group. They have lots of irons in the fire, but licensing famous properties is one of the hottest, and where Elvis was concerned, Thurston says, "we wanted to come up with something that hadn't been done before with him on it."

Their solution: Elvisopoly.

It is, as the name suggests, essentially a variant on the classic Parker Bros. Monopoly game, using elements from Elvis' life in

place of the familiar Atlantic City streets, railroads, and the like. Although Parker Bros. has copyrighted the particulars of Monopoly, the underlying concept, like any idea, is not copyrightable, and so companies like the David Christopher Group can erect their own superstructures on it.

Elvisopoly hit the market too late to stir up much excitement in the 1995 Christmas season, but, Thurston says, "we're primed and ready" for the 1996 season—the buying for which, by the national chains, has already begun. About 50,000 copies of the game were in print by the end of last year.

With success on the horizon, Thurston and George have been talking with other possible licensors for games, including Coca-Cola and Harley-Davidson. But licensing can get complicated: They backed out of a deal with Playboy Enterprises at the last minute, Thurston says, because they were afraid

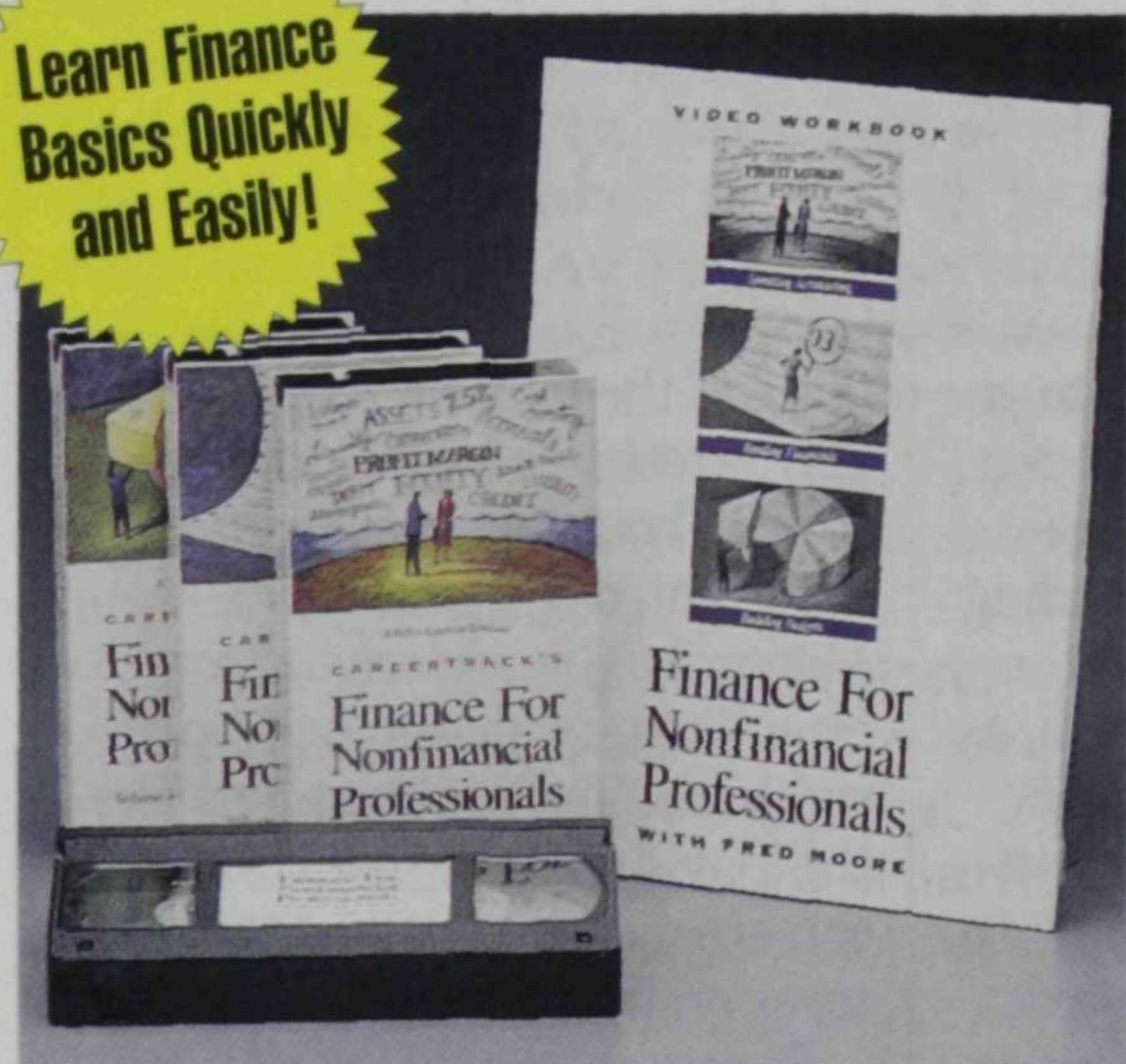


such an association could cloud their marketing of a licensed children's character, Magellan T. Bear.

Their plans for that bear are, in their own way, as unnerving as Jeff Schwartz's plans for talking CEO photos: Thurston and George aspire to turn Magellan T. Bear into another Barney, via a television show and books. **18**

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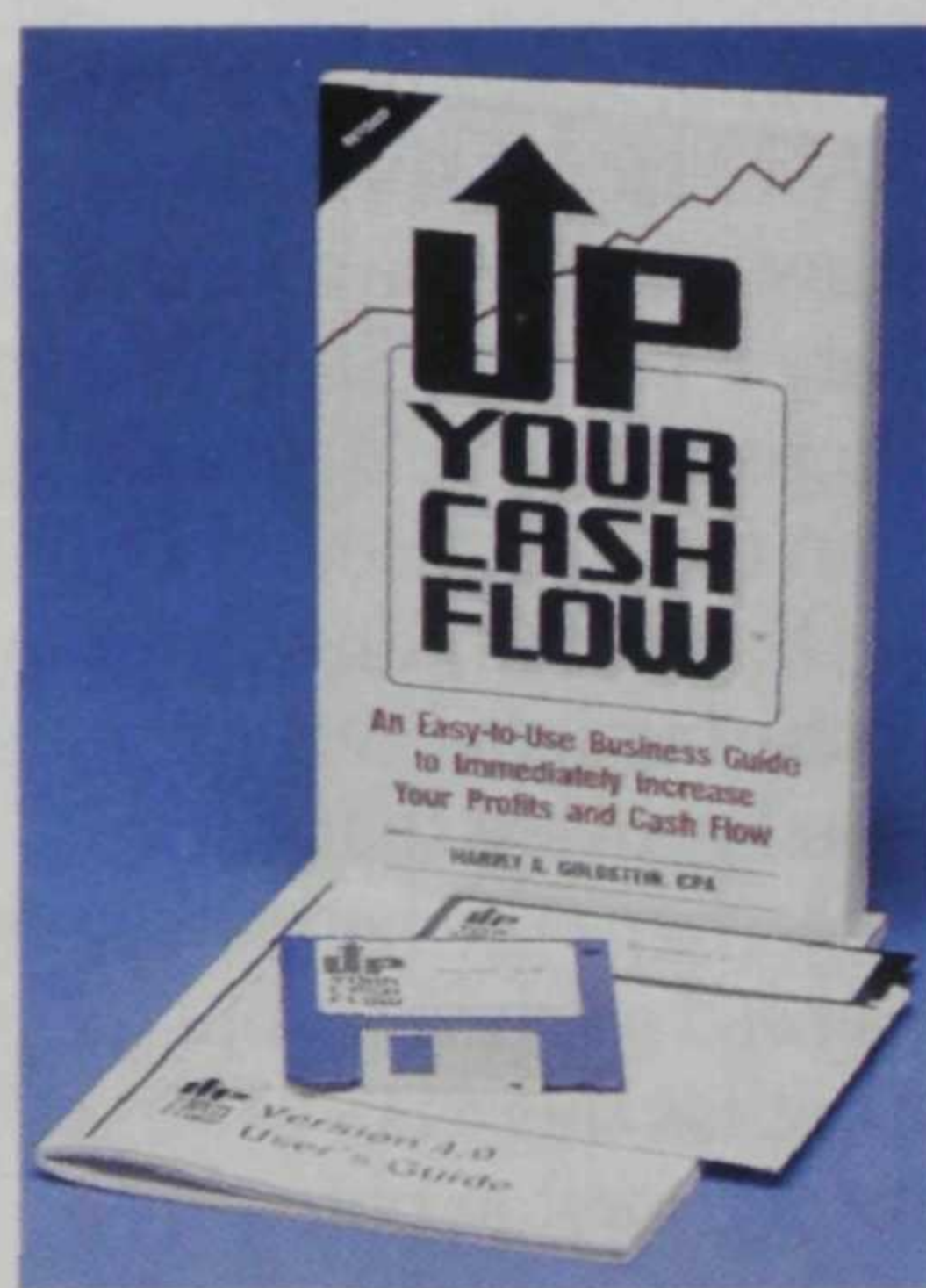
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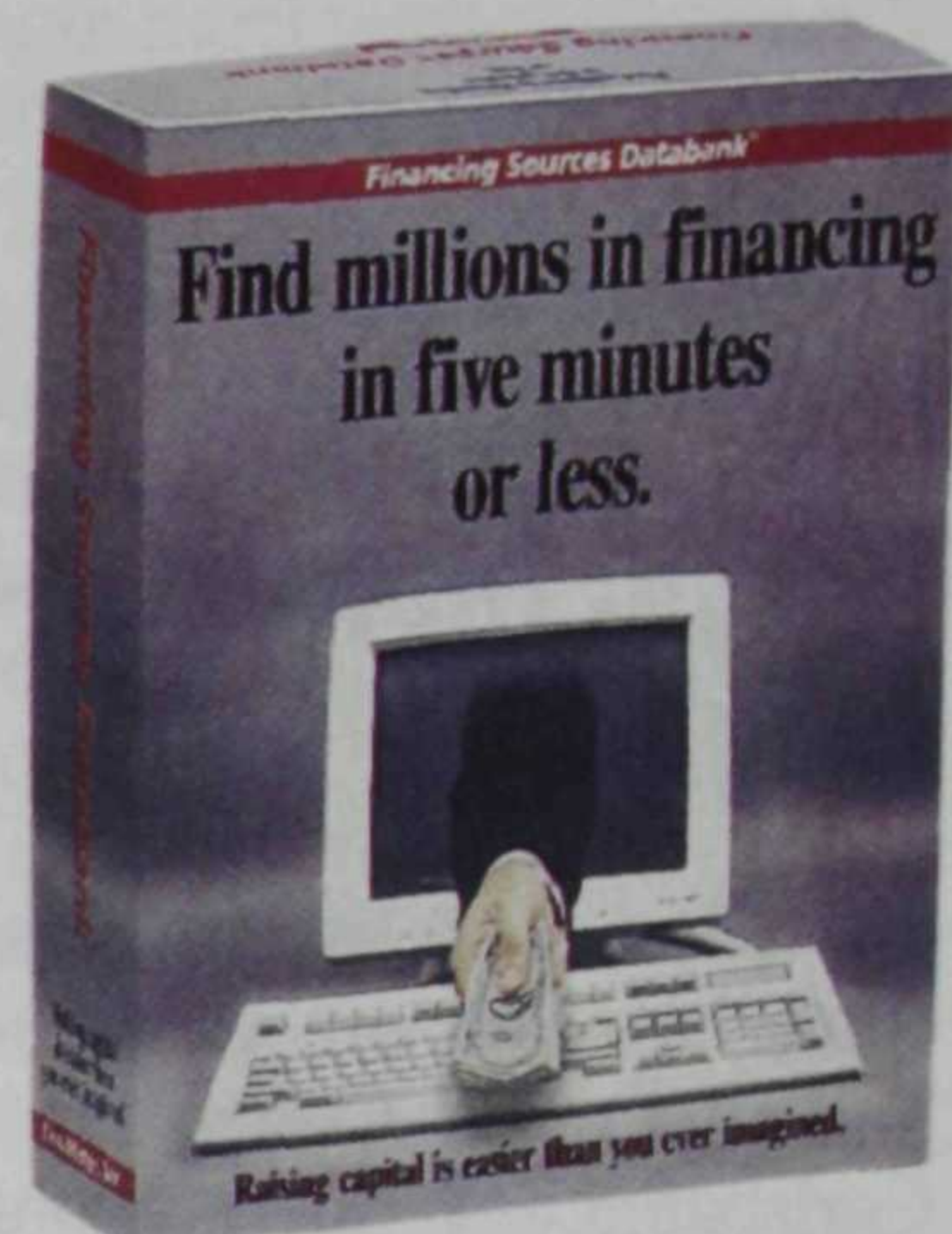
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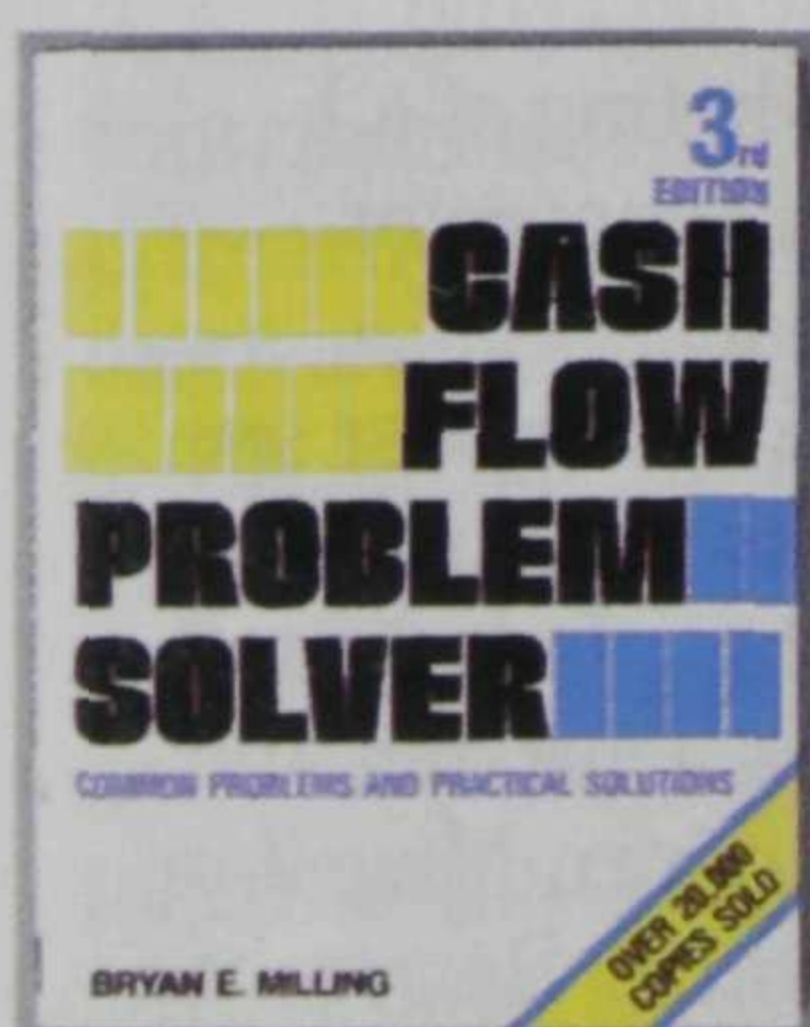
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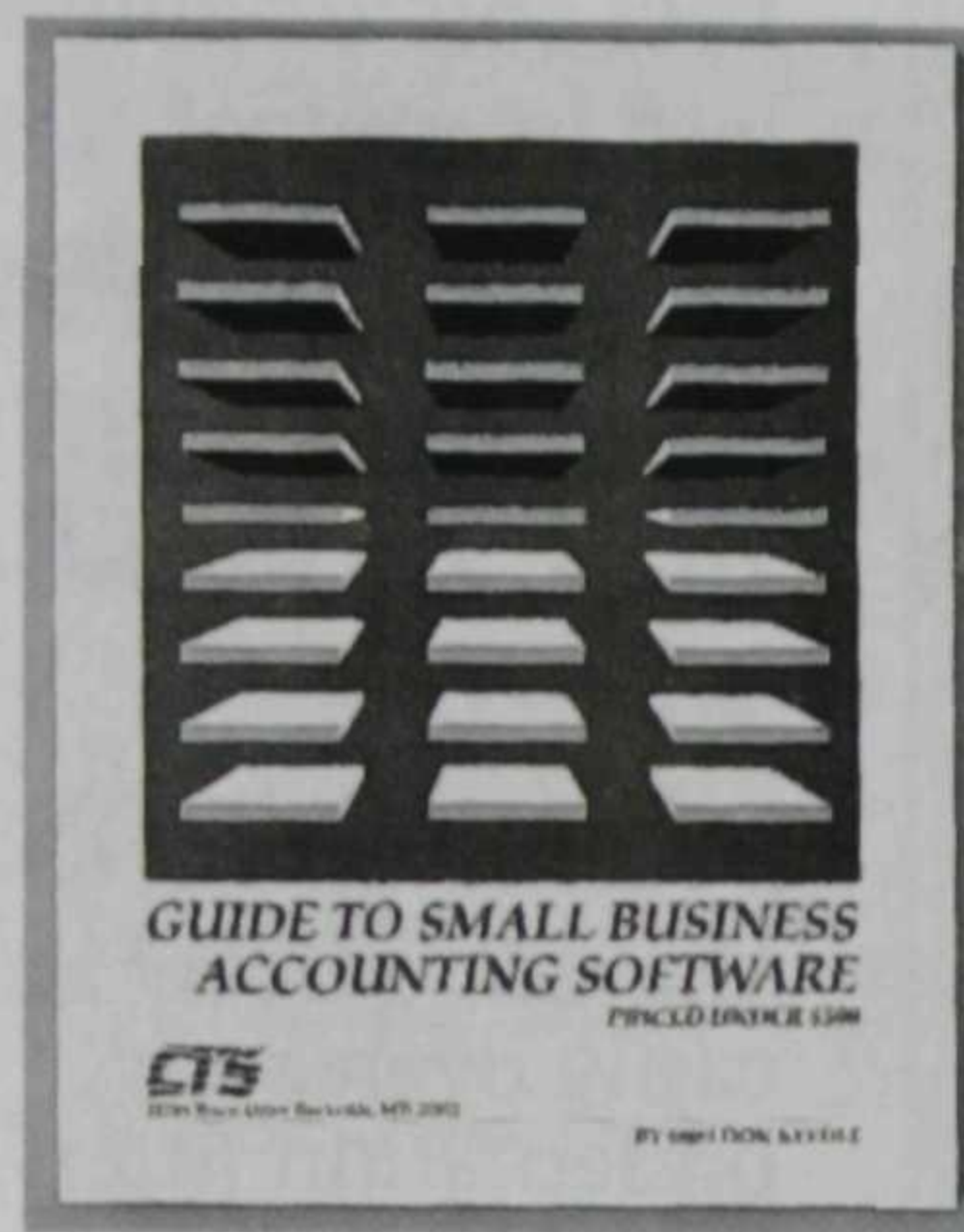
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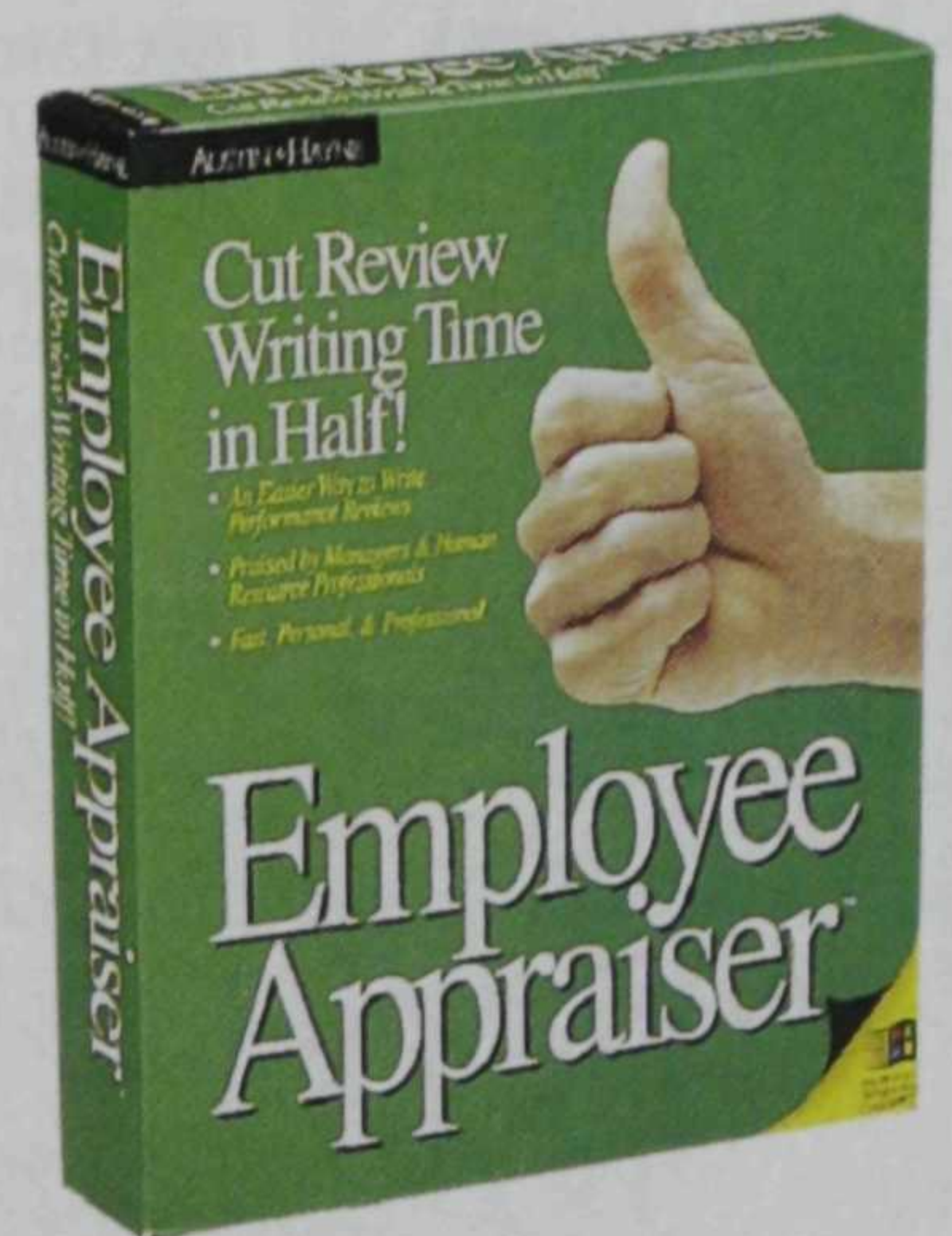
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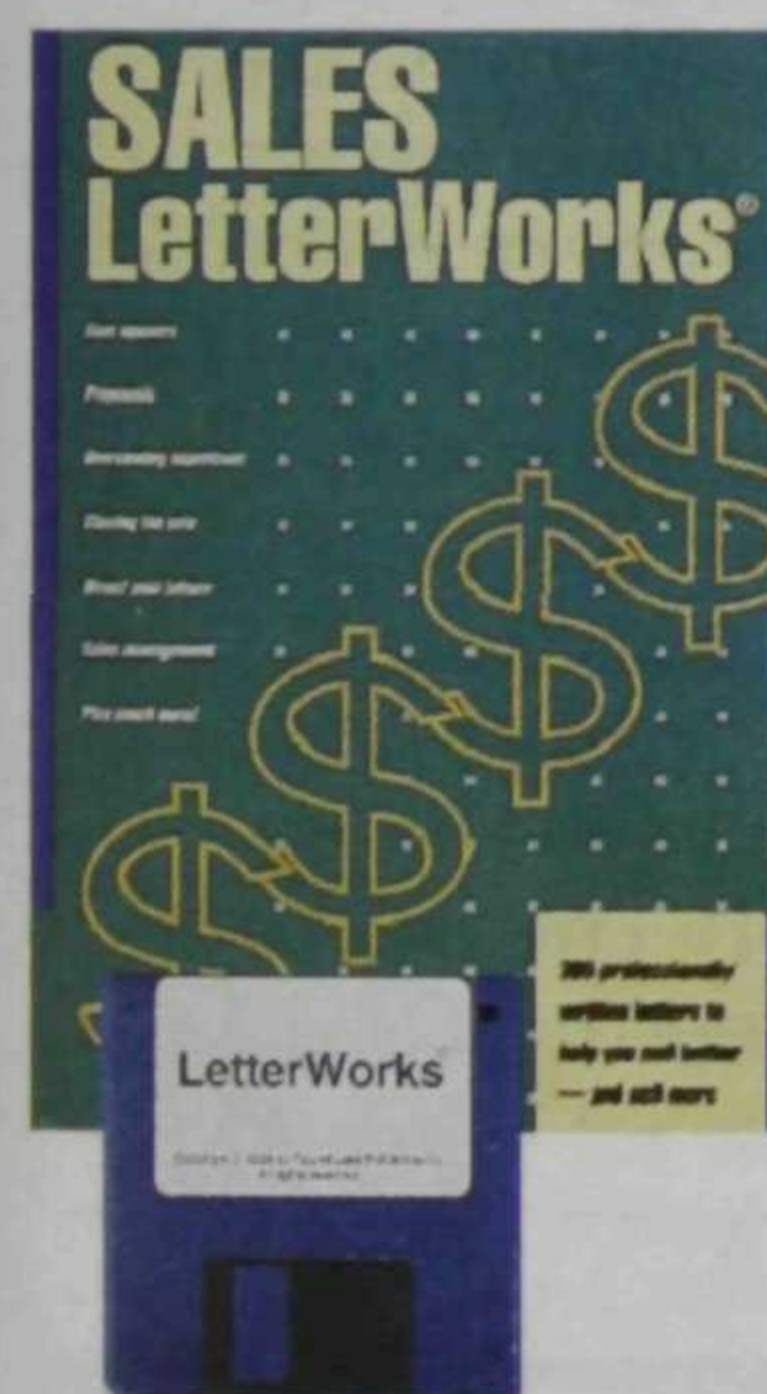
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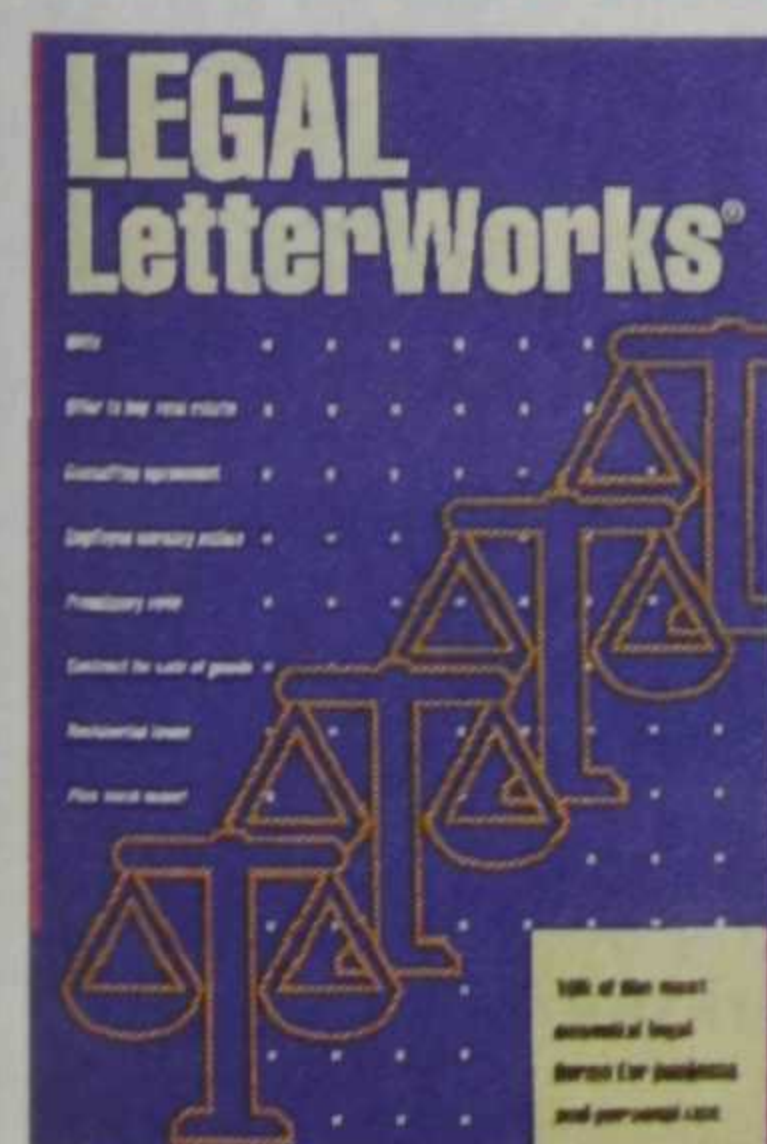
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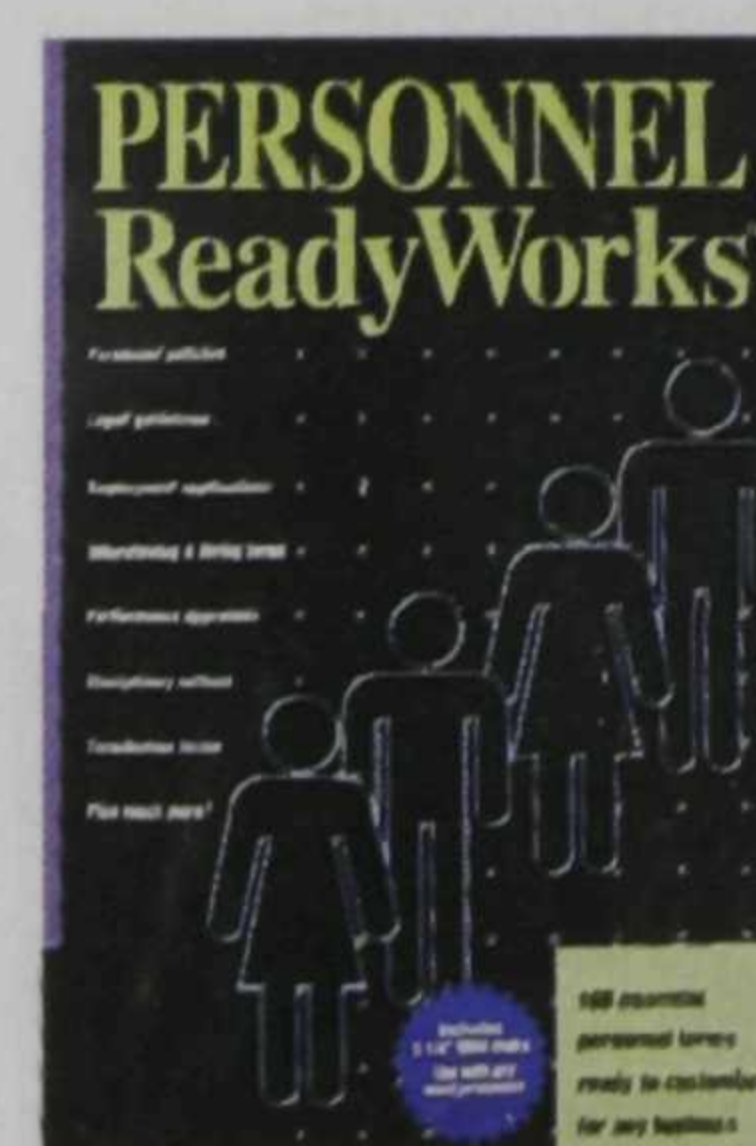
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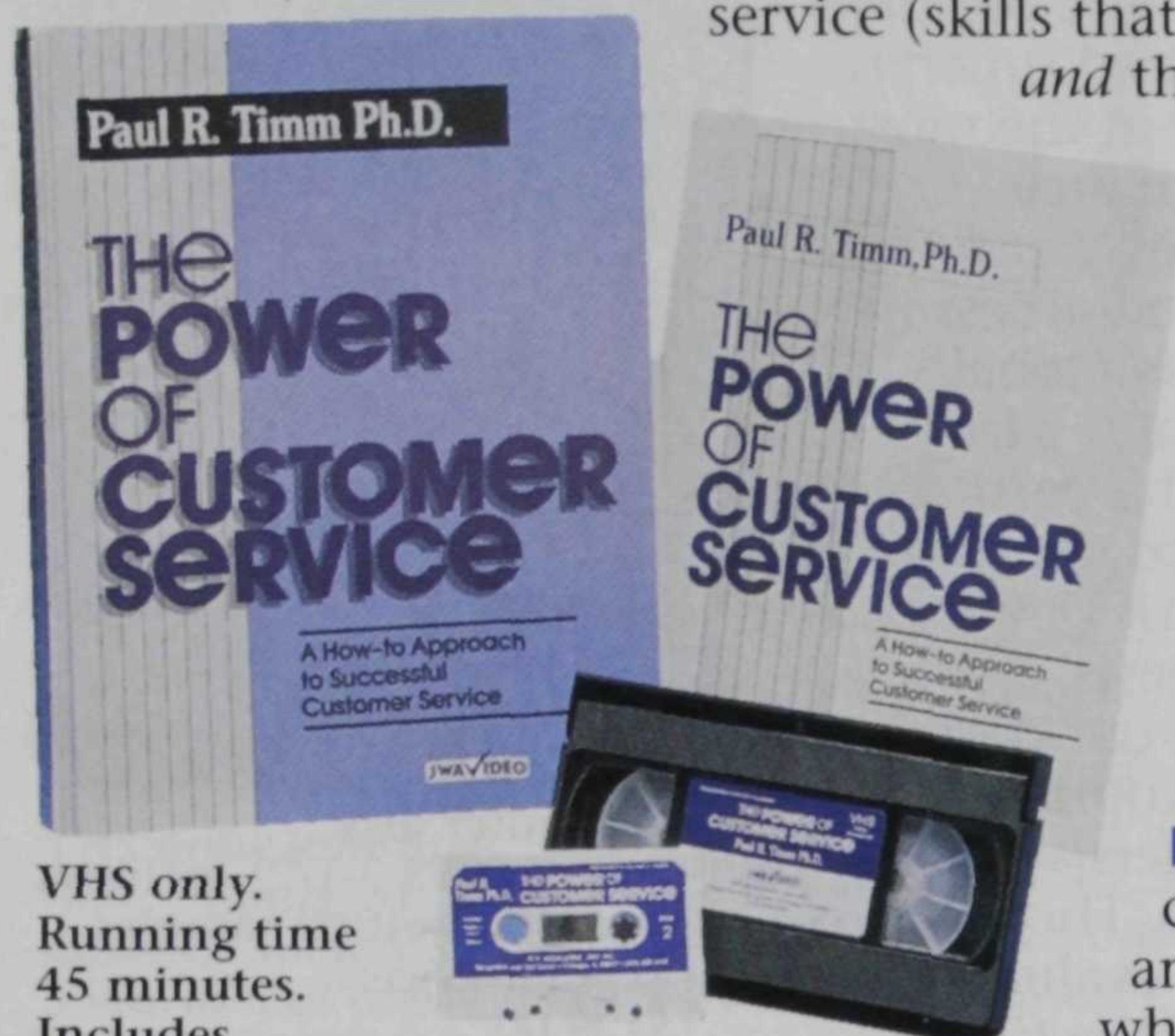
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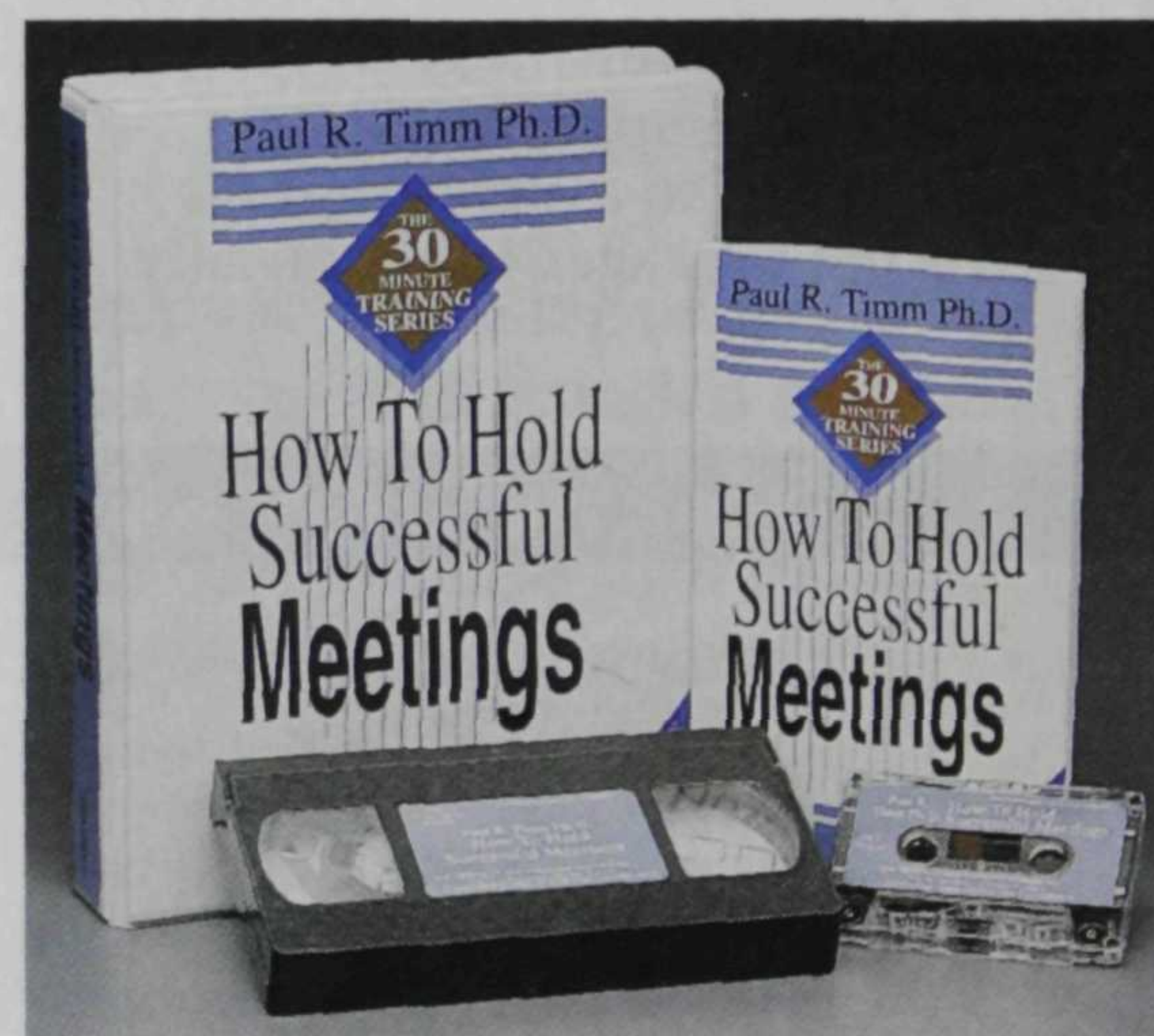
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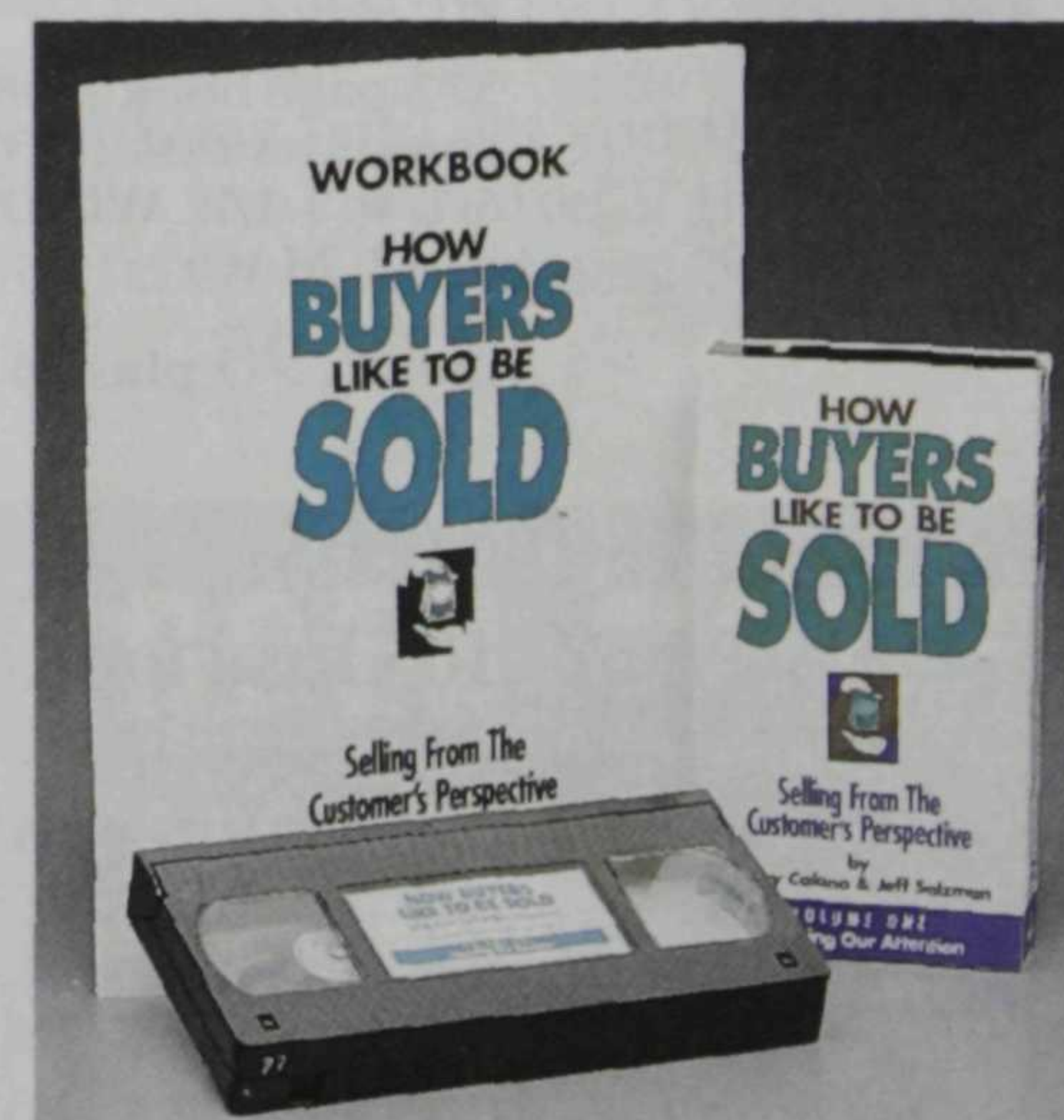
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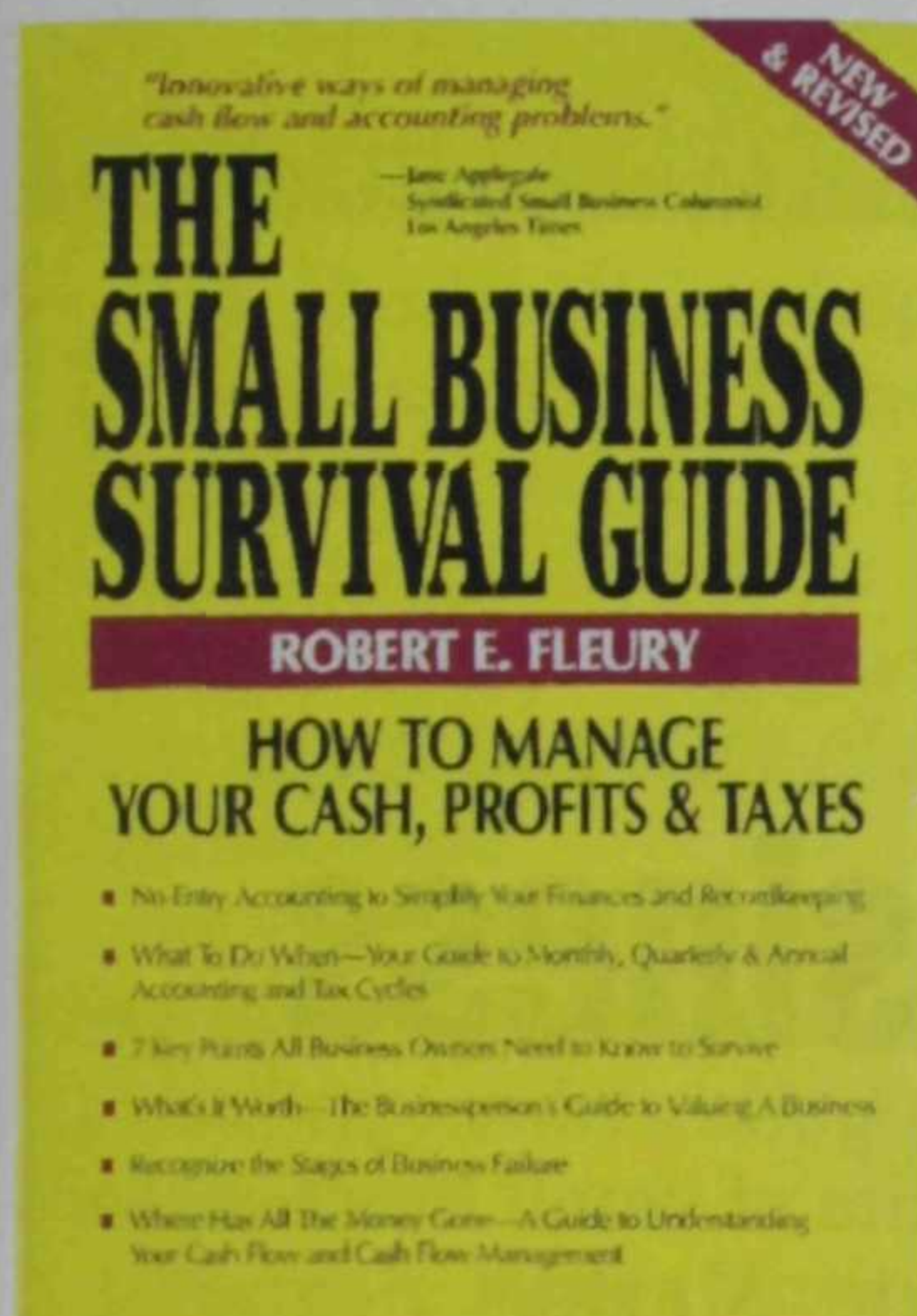
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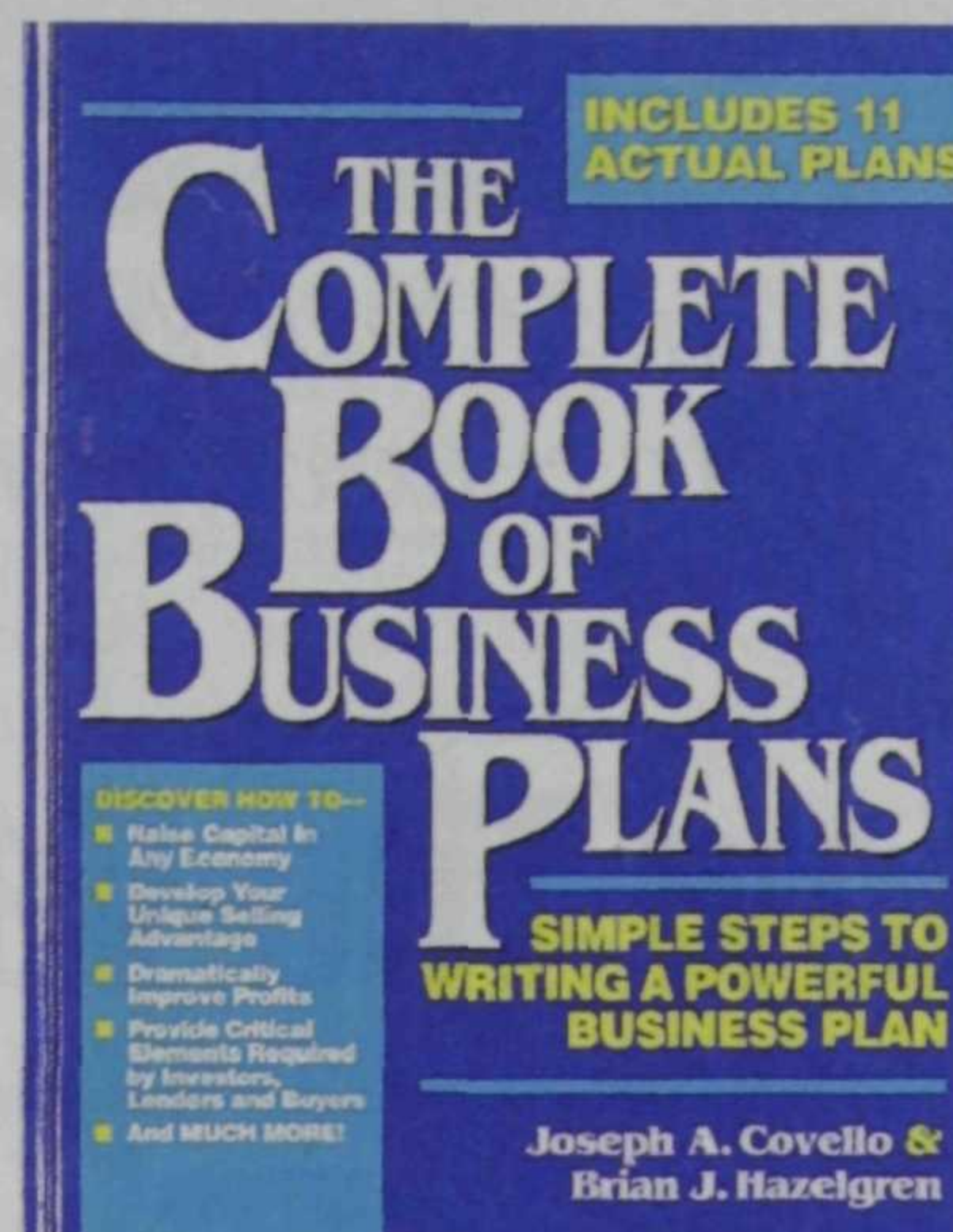
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It Pays To Know The Value Of Your Business

By Mary Rowland

Consider how Gary Trugman goes about his work. Once, to estimate a car-wash facility's weekly receipts without the owner's knowledge, he hired students to count cars. Another time, to put a value on a pizza parlor, he obtained copies of subpoenaed records that would show how many pounds of flour the business used each week, enabling him to estimate how many pizzas it sold.

Or take Kalman Barson. He sometimes poses as a customer in retail establishments so he can watch the traffic flow and note how much customers pay for a sandwich, or a beer, or a haircut. He reads a doctor's appointment book—obtained by a plaintiff's lawyer—as “a road map to figuring out what the doctor's real income is.”

In his search for hidden income, Barson also ferrets out perks that small-business owners accord themselves. For example, an owner might take a vacation where his trade organization is having an annual meeting and “convert the vacation into a business expense so he can deduct the whole thing,” Barson says.

If their tactics led you to assume that Trugman and Barson are Internal Revenue Service agents, you're wrong. They're business appraisers based in New Jersey, Trugman in Morris Plains and Barson in Bridgewater. And their business-appraisal methods should jar any small-business owner who has not had a formal valuation done.

Business valuations are critical for a number of purposes, including mergers, estate planning, divorce, setting up employee-compensation programs, buy/sell agreements, and insurance claims.

If your valuation is not accurate, you could be in store for a costly surprise. For example, in Trugman's first valuation assignment, in 1984, he was asked by a lawyer in a divorce case to look for

TODAY'S POP QUIZ

The IRS Says Your Business Is Worth...

- ☐ a. Whatever You Say It Is.
- ☐ b. The Value Of All Fixed Assets.
- ☐ c. Fair Market Value.
- ☐ d. Twice Annual Gross Earnings.

CHARTS AND ILLUSTRATIONS: GEORGIA LEIGH McDONALD

unreported income. He found \$94,000. And that was before he had any training in the field.

A business owner could hardly expect a less-diligent effort by the IRS. There has been much publicity about the trillions of dollars accumulated by the generation of Americans who began building their careers and businesses in the period of prosperity following World War II. Up to \$10 trillion will pass from these Americans to their children, and much of it is held in family businesses.

The IRS has heard the good news, too, and is anticipating all the estate taxes that will be due on this accumulated wealth.

Further, the agency has already geared

up for audits of small businesses through its Market Segment Specialization program, which trains auditors to scrutinize particular industry segments. (See “New IRS Audits Mean Business,” April 1995, Page 62.)

Under the program, begun in December, industry specialists are searching for unreported income in businesses in 100 industries, with an audit guide for each industry.

Consider the case of Ford Storage & Moving Co., in Omaha, Neb. When entrepreneur Ray Ford died in 1988, his estate claimed that his equity in the company was worth \$994,000. The IRS put it at \$2.5 million.

This past May, after a seven-year legal battle by Ford's estate, an appeals court upheld the U.S. Tax Court's decision that Ford's equity was worth over \$2 million. “The kids ended up with a \$500,000 tax liability,” says Edward Mazza of White Nagle Mazza Inc., a Cleveland-based business-valuation and investment-banking firm.

But the miscalculation of how much the business was worth isn't unusual. On average, the IRS finds businesses to be worth 150 percent more than the value reported by the taxpayer, Mazza says.

That's because most business owners use a variety of formulas or rules of thumb that don't pass muster with the IRS, such as book value — which is almost always lower than market value. IRS regulations make it clear that a business must be valued at “fair market value,” arrived at in an “arm's-length transaction,” which means looking at both the financial particulars of a company and the industry in which it does business. What it boils down to is that your business should be appraised by an independent appraiser.

Yet a 1995 survey by Loyola University Chicago and the Arthur Andersen Center for Family Business in Houston found

Answer: c

SMALL BUSINESS FINANCIAL ADVISER

that just 18 percent of the nearly 4,000 businesses that responded had official appraisals.

The IRS has turned up the heat on this issue in the past decade, according to Trugman, who is the author of *Conducting a Valuation of a Closely Held Business*, a training guide written for the American Institute of Certified Public Accountants.

The IRS bases its actions on Revenue Ruling 59-60, issued in 1959 and still the most important ruling on the subject of valuation.

The rule says a business must be valued at fair market value, and it defines that as "the amount at which the property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both having reasonable knowledge of the relevant facts."

An IRS rule change in October 1990 added "arm's-length transaction" to the definition.

Mazza's appraisers determine the histor-

ical earnings stream of the business being valued and then look at other companies in the same business. "We look at the industry the company is in, at their competitors, and publicly traded companies to arrive at an earnings multiple," he says.

How do you find a qualified appraiser? Although Trugman is a CPA, he says that an accounting background is not adequate by itself for a business appraiser. Experts say two designations are meaningful in judging an appraiser.

One is the ASA, signifying membership in the American Society of Appraisers, in Washington, D.C. The organization focuses on midsize to large companies that might need valuations for mergers or acquisitions, Trugman says.

The second is the certified business appraiser (CBA) designation issued by the Institute of Business Appraisers (IBA), in Boynton Beach, Fla. The IBA focuses mainly on small, closely held businesses.

Trugman holds both designations and is chairman of the ethics committee for the IBA. "These two organizations have done all the training and developed all the edu-

cation materials in this industry," Mazza says. "They are the leaders unequivocally. It would be enough to know that the appraiser you are dealing with has one of these designations."

Mazza says an appraisal costs anywhere from \$3,000 to \$30,000, depending on the size of the company and the complexity of the business. He recommends updates at least every three years.

Trugman accepts work only on an hourly basis because "I never know if it will take me 25 hours or 105 hours," he says. He considers 25 hours a minimum.

"It is going to cost a little more time and a little more money to position your business in a way that is acceptable to the IRS," Mazza says. "But the IRS doesn't take any captives. There's a tremendous amount of wealth changing hands, and they want to get their share of it."

Mary Rowland is an investment and personal-finance writer in New York City and author of A Commonsense Guide To Mutual Funds, a book to be published in May by Bloomberg Press.

BANKING

Electronic Cash Cards Planned For Olympics

When Olympic athletes face off in the Summer Games beginning in July in Atlanta, merchants and three major banks will also be "going for the gold."

Working in alliance with Visa International, the banks—First Union, NationsBank, and Wachovia—will issue 4 million to 6 million stored-value cash cards to be used in lieu of coins and bills by an estimated 4 million consumers in the Atlanta area.

Each card contains a memory chip programmed with "electronic cash." Consumers will buy cards at face-value amounts of \$10, \$20, \$50, or \$100 and will pay no additional fee.

Cards will be accepted at more than 5,000 outlets in the Atlanta area, including fast-food restaurants, coin-operated laundries, convenience stores, cinemas, and vending machines.

"We've already started using [the cards]," says Kevin Williams, owner-oper-

ator of a Chic-fil-A franchise restaurant. "The faster transaction time is speeding up customer lines so we can handle more volume and at the same time reduce our cash-management costs and pilferage risks."

For the merchant, there's no risk of being stuck with a fraudulent transaction because chip cards (as opposed to magnetic-stripe credit cards) are virtually impossible to counterfeit, according to the banks issuing them. But for the consumer, cash cards are just that—cash.

If they're lost or stolen, you're out the amount that hasn't been spent.

Williams' restaurant has installed small electronic-transaction boxes by each cash register. To pay for an order, a customer inserts a cash card into the box, which reads the card's balance and displays the figure—along with the price of the meal—on a screen. When the customer pushes a button to ap-

prove the transaction, the "money" electronically leaves the card and is stored as a record in the electronic box for eventual transfer to the restaurant's bank account.

The participating banks are competing to sign up merchant locations by offering

discount deals on leasing or purchasing the equipment needed to handle the cash cards. Madeline Leonard, owner of Henri's Bakery, a breakfast and lunch spot, says her bank "made us a very good offer so we could try it out."

Banks charge merchants a processing fee on cash-card transactions, ranging from 2.5 to 4 percent of each transaction—roughly the same as processing fees for credit-card transactions.

Merchants have been willing to pay transaction fees, participating bankers say, because the system reduces businesses' cash-management costs and risks while attracting customers.

In April, First Union will introduce another card that bank customers can use in automated-teller machines to transfer money from their checking accounts in order to reload the cash-value memory chip. "Later in the year," says Edgar Brown, a senior vice president with First Union, "we will be rolling out a card that can be used three ways: for cash expenditures, ATM operations, and credit-card transactions."

Brown and other bankers predict that the money cards will be in use nationwide within three to four years. After Atlanta, the cards will appear in metropolitan areas including Washington, New York, Philadelphia, and San Francisco.

—Peter Weaver

The author is a personal-finance writer in Bethesda, Md.



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ESTATE PLANNING

A New Wrinkle In Selling Stock To Your Children

If you are considering selling your privately held firm's stock to your children, a 1994 Internal Revenue Service ruling may alter your plans.

Over the years, the IRS has required owners who transfer stock to heirs to set a fair market price based on a hypothetical willing seller and willing buyer. Estate planners, however, have typically advised their small-business clients that they are free to sell stock at a discount to family members. Why? Because, according to planners, a fractional share of a business is worth less than 100 percent of the business, especially when the fractional shares owned by an individual family member do not constitute a controlling interest.

The IRS has long recognized

stock discounts in transactions involving family members. However, the IRS determined in September 1994 that fractional interests that can be combined into a controlling interest do not qualify for the usual discount. This determination was made in a private-letter ruling, which does not carry the weight of law. Such rulings apply only to specific cases, but financial professionals take them seriously when advising clients.

In the ruling, the business owner in question had planned to sell a 90 percent stake in his corporation in 30 percent chunks to each of his three children. He planned to keep 5 percent, with his wife receiving the same. Each of the 30 percent blocks was sold to the children at a 25 percent discount characterized as a "discount for minority interest and marketability."

The IRS ruling stated that in determining the fair market value of the 30 percent blocks of stock, the "swing vote" attributes of

each block should have been taken into consideration. In other words, if one 30 percent owner joined with another 30 percent owner, the two could control the company with a combined total of 60 percent of the stock. Hence, the IRS argued that the children got the stock too cheaply. The discount that eventually was allowed was kept confidential.

Amy Floyd, director of estate and succession planning at the Chicago office of the Ernst & Young accounting and consulting firm, says the ruling created a dangerous estate-planning area for small-business owners. "What's tough about this is that it's difficult to determine the value of a nonmarketable security," she says. "It becomes even tougher when you're trying to determine what the swing-vote value is worth."

As for the size of an appropriate discount, Floyd says the IRS isn't going to be very helpful. The reason, she says, is that "the IRS always likes to take shots at us, and they like the rules to give them the power of interpretation. Unfortunately, valuation is an art, not a science."

—Lisa Holton

The author is a personal-finance writer for the Chicago Sun-Times.



TAXES

Tax Planning For Buy-Sell Agreements

Every closely held corporation with more than one stockholder should have a buy-sell agreement. Typically, such an agreement provides for the surviving owners of the corporation to buy the shares of a stockholder in the event of his death. It might also provide for the purchase of the shares of a disabled or retired stockholder.

Because there usually is no market for the stock interest of a deceased stockholder in a closely held corporation, the buy-sell agreement provides a market for those shares and liquidity for the deceased shareholder's estate.

It also provides continuity of management by requiring the estate of a deceased owner to sell the decedent's interest in the business to the corporation or to the surviving owners.

Traditionally, buy-sell agreements have been structured as corporate stock redemptions so that the corporation would be required to purchase the shares of the deceased stockholder. Under such an arrangement, the corporation would usually purchase life insurance on each stockholder to fund the purchase of

each one's shares upon his or her death.

The traditional buy-sell agreement has been falling out of favor, however, because the life-insurance proceeds received by the corporation may now be subject to the alternative minimum tax (AMT) in addition to the corporation's regular income-tax liability.

The AMT has its most dramatic effect when a company is losing money and has no regular tax liability. Take, for example, a corporation that is operating at a loss and receives \$1 million of life-insurance proceeds upon the death of a stockholder. The corporation could be subject to an AMT of up to \$138,000 even though it may have no regular income-tax liability.

The AMT also applies in instances where the company is making money, but the amount of the tax is offset by the amount the company paid in regular corporate-income taxes.

To avoid the AMT on life insurance, companies increasingly are structuring so-

called cross-purchase agreements. Under a cross-purchase agreement, the remaining stockholders, not the corporation, purchase the shares of the deceased stockholder.

The mechanics of a cross-purchase agreement can be complex. If, for example, there are five shareholders, each shareholder theoretically would be required to purchase life insurance on each of the other four shareholders, thus requiring 20 policies.

As a practical matter, however, stockholders have recently turned to trusts or partnerships to hold one policy on the life of each stockholder, thus making it simpler to maintain the policies.

There are a number of other tax and nontax considerations in structuring a buy-sell agreement. So it

is always advisable to consult with your tax attorney when considering such an arrangement.

—Albert B. Ellentuck

The author is counsel to the Washington, D.C., law firm of King & Nordlinger.



INVESTING

How To Invest Wisely In A Bond Fund

By Randy Myers

Retired newspaper manager Mike Middlesworth of Hilo, Hawaii, prizes safety in his investment portfolio. So it's not surprising that he has invested half of his retirement nest egg in bonds, which typically provide smaller returns than stocks but also carry less risk.

What might surprise some investors is that Middlesworth has put the bulk of his fixed-income portfolio in mutual funds rather than individual bonds.

Many savvy investors disdain bond funds because they lack one of the key features that make bonds distinctly different from, and generally safer than, stocks in the first place: the promise that they will pay a specified rate of interest and will be worth precisely what you paid for them when they mature (assuming the issuer doesn't default).

Investors who prefer U.S. Treasury bonds particularly dislike bond funds because their operating expenses chew up part of the interest income that bonds generate. (You can buy Treasury bonds directly from any of the Federal Reserve's 12 banks or two dozen branches throughout the country without paying any fees.)

The average bond fund, in addition to being saddled with operating expenses, holds a constantly changing collection of securities that together provide neither a fixed yield nor a fixed maturity date. That means there's no precise way to predict what your shares will be worth after a specified period of time or how much interest your fund will generate.

Results can vary dramatically. In 1994, one of the worst years for bonds, the average domestic bond fund posted a loss of 3.26 percent as interest rates rose. (Bond prices fall when interest rates rise.) Last year, as interest rates declined, the average fund gained 15.22 percent. This year, economists expect interest rates to be stable to slightly lower, meaning bond funds most likely will post moderate gains at best.

Despite their drawbacks, bond funds appeal to Middlesworth and many other investors, who together hold about \$600 billion in more than 3,000 bond funds, according to Morningstar Inc., a Chicago-based research firm.

"I don't want to have to deal with individual bonds," says Middlesworth, echoing a common theme. "Creating a ladder portfolio of bonds," or bonds with successively longer expiration dates in order to diversify exposure to interest-rate

changes, "is more work than I want to do. I may give up a little yield, but my fund company does all the work for me."

If you're interested in finding a bond fund for your portfolio, start by assessing the different types of bonds in which funds can invest. Bonds vary principally by the length of time until maturity and by the type of issuer.

Longer-term bonds react with more volatility to interest-rate changes than do shorter-term issues, so they're considered more risky. U.S. Treasury bonds carry less risk than those issued by corporations and municipal governments because they are

If you are in a high income-tax bracket, consider a fund that invests only in municipal bonds. Although municipal-bond funds pay less interest than taxable bonds, your net return could be higher. This is because the interest income on these bonds will be exempt from federal income taxes. If the fund invests only in muni bonds issued in your state, you will be exempt from state taxes, too.

Once you have decided what type of fund you want, shop carefully. Unlike money-market funds, whose performance can be judged primarily by the rate of interest they're paying, bond funds must be

evaluated based on their total return—yield plus price appreciation. Look for a fund with a respectable total-return record and low operating expenses. More than anything else, low expenses are what make a bond fund a top performer in its category. "Bonds are almost like commodities, so the amount of

fees you pay can really lower your return," explains Mary Merrill, a financial adviser in Madison, Wis.

Merrill and other investment advisers widely credit the Vanguard Group for offering bond funds with the lowest expense ratios in the industry—an average of 0.22 percent of assets as of Nov. 30, compared with 1.0 percent for all bond funds.

In line with your search for low expenses, choose a no-load fund (one that charges no upfront sales fee) over a load fund (which does charge such a fee), provided other aspects of the funds are equal.

The key is to find a low-cost fund with a solid track record established by its current manager and an investment style that matches your objectives and tolerance for risk. If you succeed in this search, you'll enjoy most of the returns you'd get from individual bonds without devoting the time or resources necessary to build a diversified portfolio of bonds on your own.

NB

Randy Myers is a financial writer in Dover, Pa.

Five Top-Performing Bond Funds

Each of the following funds ranked first in total return performance within its fund type for the five years ended Nov. 30, 1995.

Fund Type	Fund Name	Total Return Over Five Years
Government, General	Fidelity Spartan L-T Govt.*	10.91%
Government, Treasury	Vanguard Fixed/Income L-T Corp.*	12.09
Corporate, General	Federated Bond Fund—Fortress	17.30
Corporate, High Quality	Vanguard Fixed/Income L-T Corp.*	12.71
Muni National	Smith Barney Managed Munis A	10.57
*No-Load		SOURCE: MORNINGSTAR INC.

backed by the full faith of the U.S. government.

The longer a bond's term, and the weaker the financial strength of the issuer, the higher the rate of interest the bond must pay to attract investors.

Once you understand how bonds work, you can pick a fund whose investment style is suited to your objectives and your tolerance for risk. If you're an aggressive, long-term investor seeking to build wealth, you may want a fund that specializes in long-term securities, perhaps corporate bonds. If you're more averse to risk, choose a fund that invests in long-term Treasuries or intermediate-term issues.

If your investment goals are short-term—perhaps you're saving for a new car or a down payment on a house, or merely want to generate a steady income stream—stick to shorter-term bond funds that won't be buffeted as badly by interest-rate changes.

In addition to weighing your investment goals and tolerance for risk, evaluate your tax position if you are investing outside a tax-deferred retirement account.

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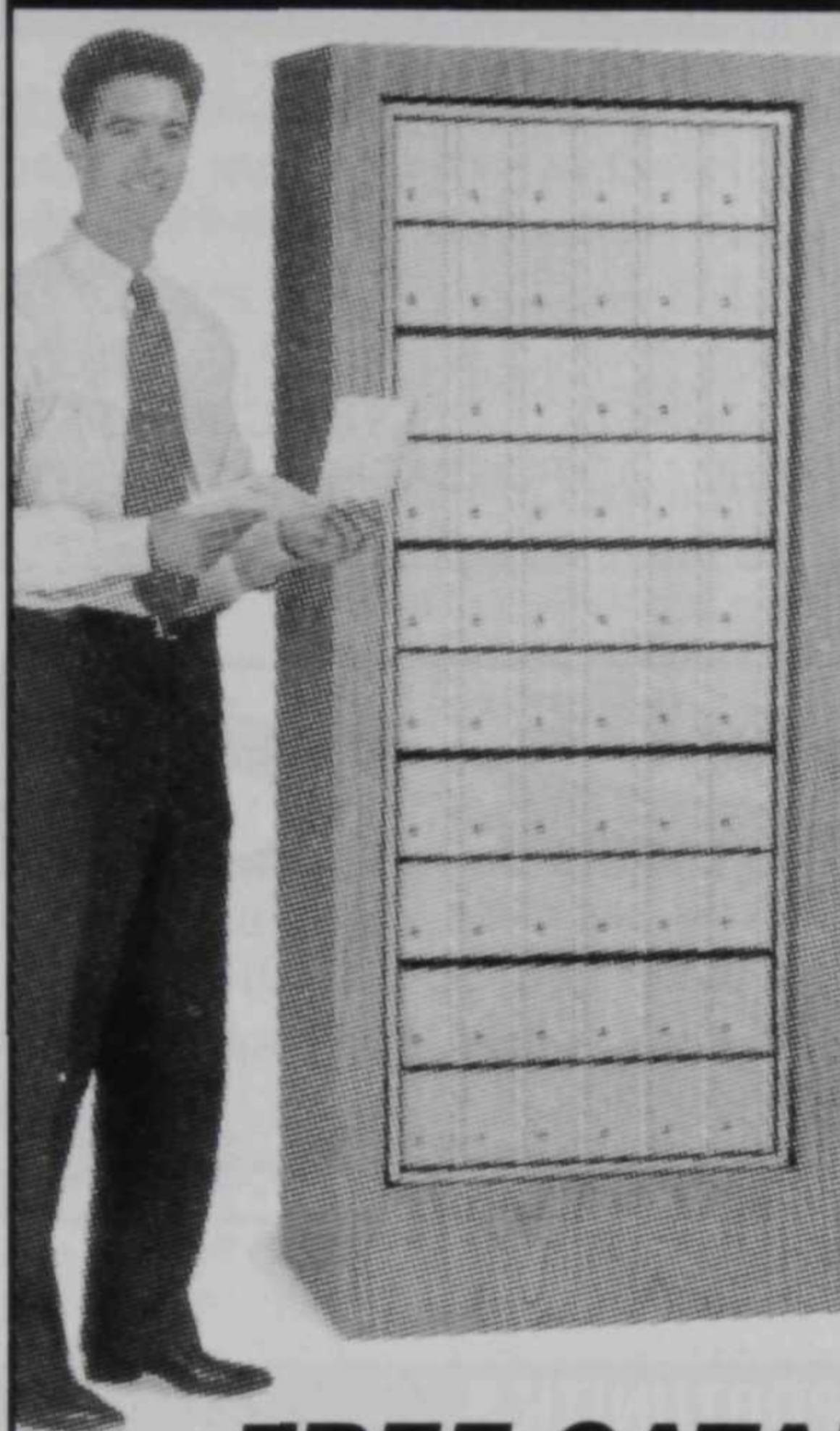
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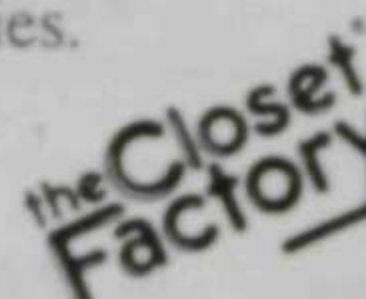
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On Outsourcing

Background: Companies are turning increasingly to outside contractors to perform some of the companies' functions, from administrative jobs such as handling the payroll to manufacturing or assembling all or part of their products. (See the December cover story, "Growing More By Doing Less.") These questions seek your views on such outsourcing.

Results of this poll will be forwarded to administration officials and congressional leaders. Send the attached, postage-paid Reader Response Card. Or circle your answers and fax this page to (202) 463-5636.

1

What percentage of your firm's activities is outsourced?

1. Zero
2. No more than 10 percent
3. 11 to 20 percent
4. 21 to 30 percent
5. More than 30 percent

4

How has outsourcing affected your firm? (You can check more than one.)

1. Lowered administrative costs
2. Lowered costs of providing products/services
3. Allowed the shifting of resources to business areas considered most important
4. Helped increase revenue
5. Had no measurable impact

2

What kinds of activities do you outsource? (You can check more than one.)

1. Payroll/benefits administration
2. Taxes/accounting/auditing
3. Equipment maintenance/janitorial services
4. Manufacturing/processing/assembling
5. Marketing or sales

5

Is your firm likely to outsource more functions?

1. Yes
2. No
3. Unsure

3

Why do you outsource? (You can check more than one.)

1. Reduces administrative costs
2. Lack of in-house skills
3. Gives managers more time to focus on products/services and business expansion
4. Lowers costs of providing products or services
5. Reduces need for further capital investments

6

Are you considering bringing back in-house any function now outsourced?

1. Yes
2. No
3. Unsure

Send Your Response Today!

POLL RESULTS

Readers' Views On Congress

At a time when many public-opinion polls have been giving Congress low ratings, nearly two out of three respondents to a *Nation's Business* poll have given lawmakers above-average grades for their plan to streamline the government and balance the federal budget by 2002.

Most readers who responded to "A Report Card On Congress," the January issue's Where I Stand poll, also gave the Republican-led Congress above-average marks for efforts to reform the nation's welfare system and to put the Medicare program on a sound financial footing.

Most respondents also gave higher-than-average marks to the legislators for trying to fulfill the House Republicans' 1994 campaign document, the Contract With America.

Here are the complete results of the survey:

REPORT CARD

A plan for streamlining government operations and balancing the federal budget by 2002

A 40% **B** 24% **C** 10% **D** 12% **F** 14%

Overhaul of the nation's welfare system, including work requirements, time limits on benefits, and greater control by states

A 31% **B** 27% **C** 14% **D** 15% **F** 13%

Medicare reforms to avoid the program's bankruptcy, to limit spending growth, and to provide choices to senior citizens

A 32% **B** 24% **C** 15% **D** 15% **F** 14%

Tax changes to stimulate economic growth, create jobs, and help working families

A 25% **B** 20% **C** 21% **D** 18% **F** 16%

Regulatory changes to lessen intrusive, costly burdens on business

A 22% **B** 22% **C** 23% **D** 18% **F** 15%

Elimination of federal bureaucracies by shifting program responsibilities to states

A 28% **B** 22% **C** 20% **D** 17% **F** 13%

Reducing the total size and scope of the federal government

A 25% **B** 18% **C** 18% **D** 19% **F** 20%

Fulfilling the GOP's Contract With America

A 32% **B** 24% **C** 18% **D** 14% **F** 12%

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Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Laura M. Litvan

PURCHASING

Do Yourself A Favor

My company sells party favors to hotels and other outlets. I am interested in purchasing discontinued or excess merchandise. How do I make the right contacts?

M.B., Jacksonville, Fla.

It might be easiest for you to start within your industry, says Jerome Manning, president of Jerome J. Manning and Co. Inc., a Boston-based firm that handles business liquidations.

Manning says manufacturers sometimes have "overruns"—more of a product than customers demand—and will sell the excess items cheaply. Sometimes distributors also find themselves with too much of an item and are willing to negotiate low prices with those prepared to buy in bulk. Manning says this might work best if you buy party favors associated with a holiday a month or so after the holiday has passed. For example, you might find good deals on Valentine's Day favors soon.

Here are a few other suggestions:



ILLUSTRATIONS: MARTHA VAUGHAN

■ Use a mailing-list broker to buy the names and addresses of liquidators, who purchase and then resell inventory from financially troubled or overstocked compa-

nies. Use postcards to tell the liquidators you're in the market for party favors, and request a call from those who have such merchandise. List brokers commonly advertise in the Yellow Pages.

■ Call major insurance companies and obtain names of liquidators they use to dispose of merchandise recovered after insurance claims. Salvageable goods from fire-damaged buildings, for example, are typically sold by insurance companies through liquidators.

■ Call the National Auctioneers Association, in Overland Park, Kan.—(913) 541-8084—for a copy of its directory. It costs \$5, lists the names and addresses of the association's 6,000 members, and notes whether they handle business liquidations. You could send a card to those who do, informing them of your interest. (For tips about buying at auctions, see *Managing Your Small Business* in the February issue.)

■ The U.S. Customs Service holds periodic auctions of forfeited and seized items at locations across the country, including Miami. To get your name on a mailing list for sales advisories, call (703) 351-7887.

Manning says that when you buy liquidated merchandise, you can find items for anywhere from 2 cents to 50 cents on the wholesale dollar, depending on quality, supply, and demand.

On the downside, you have to pay in cash, and you can't take only the best items. Generally, you're expected to buy large quantities of goods—taking both items that are in good condition and those that aren't. "You can't be a cherry-picker," Manning says.

GETTING STARTED

Simply Heat And Serve

I am interested in starting a business that makes prepackaged, frozen, ready-to-eat ethnic meals. Where can I go for information about the industry?

D.A., Corona, Calif.

Skip Shaw, executive vice president of the National Frozen Food Association, notes that about 2,000 new items are introduced into grocery stores each year, and space in the frozen-food section is scarce. However, he invites you to call his staff in Harrisburg, Pa., at (717) 657-8601, for help in locating consultants and resources that could be useful.

The Chips Are Down

I am interested in starting a business that distributes bingo supplies. Where can I go to get leads on manufacturers of bingo-related products?

T.M., Worthington, Ohio

To find makers of specific types of goods, check the *Thomas Register of American Manufacturers*, a 26-volume set that is widely available at public libraries. Our 1993 edition lists addresses of 16 manufacturers under the heading "Bingo Supplies and Equipment." The largest of these companies, Bingo King Co., in Littleton, Colo., offers a wide range of goods. Its sales staff can be reached at 1-800-525-8380.

Rolling For Dollars

I want to open a neighborhood roller-skating rink. Where can I get information to get me started?

T.W., Houston

The Roller Skating Association, whose members are operators of roller-skating rinks, sells an industry guide for \$75. It includes tips on writing a business plan, buying and renting skates, and other matters. Contact the group at 7301 Georgetown Road, Suite 123, Indianapolis, Ind. 46268; (317) 875-3390.

HOW TO ASK

Have a business-related question? Mail or fax your typewritten query to Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062-2000; (202) 463-3102. Or transmit your question to our CompuServe address: 76436,1735. Be sure to include your address and telephone number.

Because of the high volume of letters, we can answer only those that are chosen for publication. Questions may be condensed, and writers will be identified only by initials and city.

MARKETING

Exhibiting A Novel Idea

I have a novelty item I would like to market. I need to know how to reach buyers for gift and novelty stores. Do they have trade shows? Also, how can I get leads on mail-order catalogs that might want to carry the next "Pet Rock?"

K.K., Scottsdale, Ariz.

It's tough to forecast what novelty items will really take off, which makes it all the more important for you to find ways to get your product in front of as many prospective purchasers as possible, says Scott Borowsky, president of the Souvenir and Novelty Trade Association, in Upper Darby, Pa. "The only way to find out if your product will be the next success is to get some exposure," he says.

He thinks you're already on the right track by looking into trade shows. Several of them in various regions of the country each year are attended by buyers for gift stores and mail-order companies that sell novelties through catalogs, he adds.

A number of useful resources are avail-



able to small-business owners who need to hunt down important trade shows in a particular industry. Two books, *Trade Shows and Exhibits Schedule* and *Tradeshow Week Data Book*, offer extensive listings of trade shows and their dates, with the shows categorized by industry. The books are published annually, and at least one if not both can be found in many public libraries as well as at a number of

local chambers of commerce. Both books contain multiple listings under the heading "Gifts."

Also, a Bethesda, Md., organization has some resources that could help if you're interested in learning more about using trade shows effectively to get sales leads. The Center for Exhibition Industry Research, a membership group for exhibitors, offers some low-cost resources for nonmembers. The group sells research papers about improving sales-exhibit performance; prices range from \$8 to \$30. The group also sells books on trade-show topics. To obtain a catalog, call (301) 907-7626.

If you would like to save time on your research of trade shows, the center can handle this for you. It charges \$5 for each "profile" of a trade show in your industry.

Borowsky's group publishes a magazine, *Souvenir Novelties*, seven times a year; it costs \$30 annually, provides insight into trends in your industry, and accepts ads from novelty marketers. For information, call (610) 734-2420. **NB**

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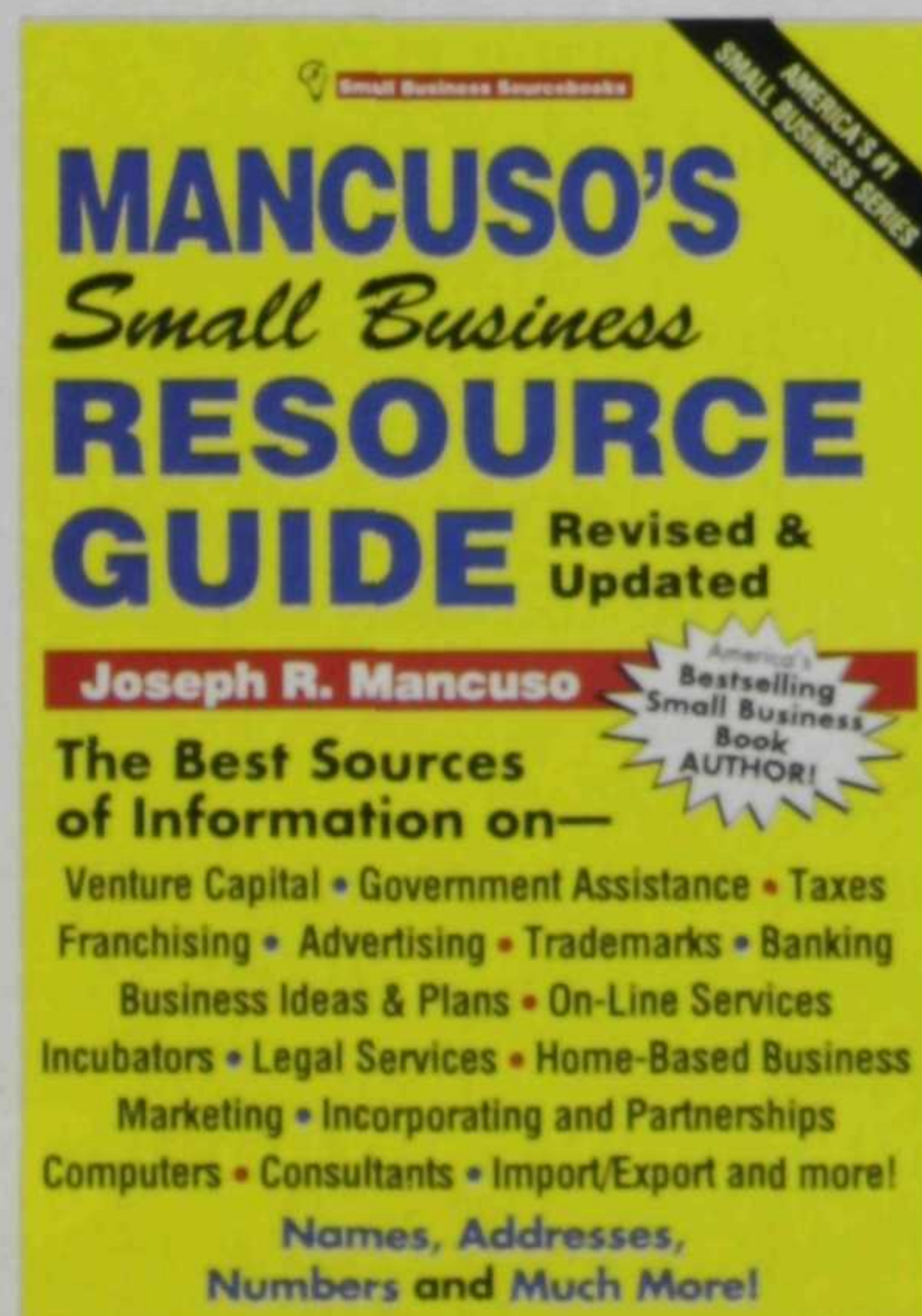
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Editorial

"Big government does not have all the answers. . . . There's not a program for every problem."

—President Clinton,
1996 State of the Union
address to Congress



PHOTO: ©HARRY HAMBURG/KRT

"I challenge you to raise the minimum wage."

—President Clinton,
1996 State of the Union
address to Congress

The President's Consistency Problem

President Clinton has declared that "the era of big government is over."

That statement in his 1996 State of the Union address was accompanied by a call for a balanced budget, tax relief, less federal regulation, welfare reform, and many other goals on the business agenda.

But his words offered little reassurance to business.

"While President Clinton's State of the Union message echoed all the conservative themes of fiscal responsibility, the appearances are misleading," comments Bruce Josten, senior vice president for membership policy of the U.S. Chamber of Commerce. "This is the same President Clinton who said in his 1995 State of the Union address that 'we have to cut yesterday's government to help solve tomorrow's problems.'"

The fiscally conservative themes of Clinton's most recent message included a call for a balanced budget and tax relief on a seven-year timetable. But he has vetoed legislation incorporating those very elements.

Clinton's espousal of a balanced budget and tax relief acknowledges the overwhelming voter support they command in this election year. Vetoing a bill to implement them on the ground that the proposed spending cuts and tax relief are excessive is hardly a way to appeal to those voters.

Presidential candidate Clinton promised to "end welfare as we know it," but he has also vetoed legislation to do that, again claiming that it went too far.

And in his address calling for a less-intrusive federal presence in business, Clinton told Congress: "I challenge

you to raise the minimum wage." His comments on that point reflected a common misunderstanding about the federally mandated wage. A higher level would mean fewer entry-level jobs and decreased opportunities for the training and experience that they provide.

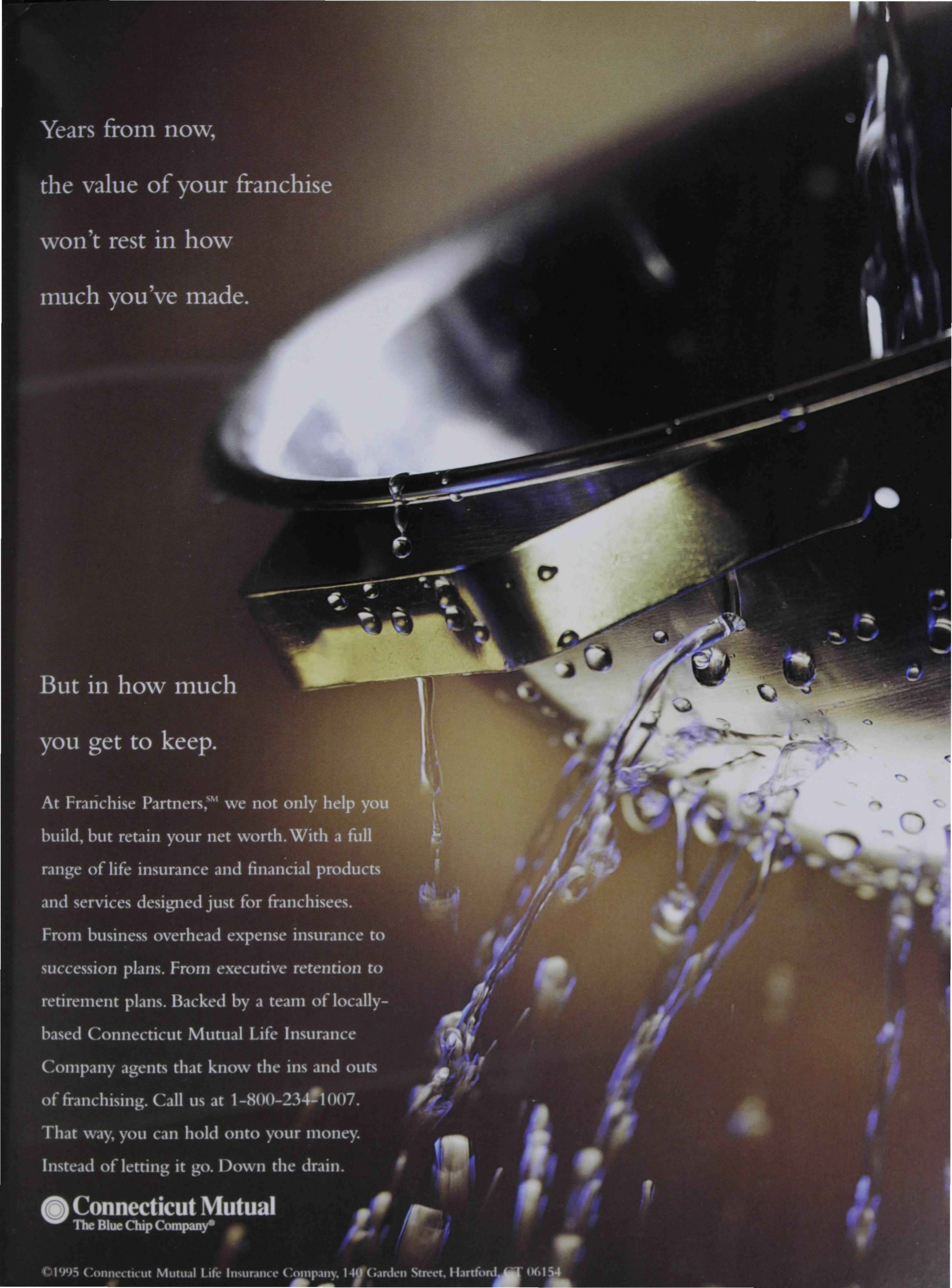
While promising to work with business in developing less-oppressive environmental statutes, Clinton asserted: "Lobbyists for polluters have been allowed to write their own loopholes" in environmental measures. A chief executive interested in cooperating with business and Congress on easing excessive regulation would not make such a statement.

While calling for less government control of business generally, the Clinton administration keeps trying to block federal contractors from permanently replacing workers who strike for economic reasons. This hiring right is specifically authorized by the National Labor Relations Act. Although a U.S. appeals court struck down Clinton's executive order to prohibit such hiring, the administration plans an appeal.

The president's various calls for less government, for fiscal responsibility, for cutting back regulations, and for stimulating the economy will remain unconvincing as long as his actions conflict with his statements.

As the U.S. Chamber's Josten puts it, "It is far too easy in politics to say it than it is to make it happen. The real test of leadership is in making it happen."

Until the president realizes that, he will find it difficult to defend himself against accusations that he lacks the consistent policy base vital to effective leadership. **NB**



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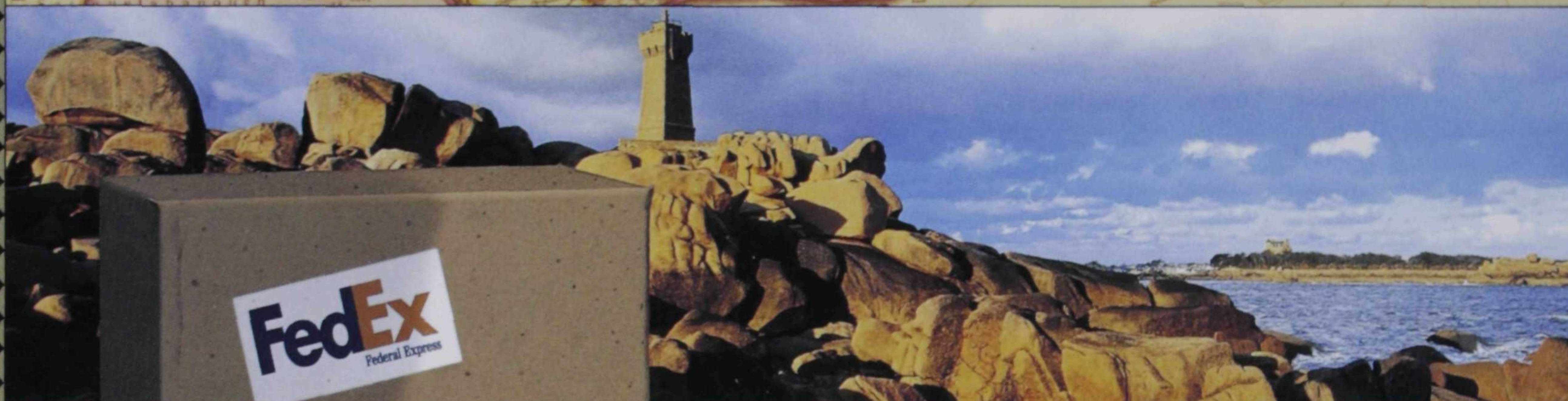
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SUPPLEMENT TO **Nation's Business** MARCH 1996



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U.S. Chamber of Commerce

Chamber Wins Legal Fight

The U.S. Chamber of Commerce has won another victory in its long-running court fight with President Clinton over striker replacements.

This latest win may prove to be the decisive round in the battle over the legality of an executive order issued by the president on March 8, 1995. Clinton's directive barred the awarding of most government contracts to businesses that have permanently replaced workers who were on strike for economic reasons, such as wages and employee benefits.

In response to an appeal filed by the Chamber, a three-judge panel of the U.S. Court of Appeals for the District of Columbia Circuit sided with the Chamber on Feb. 2 in ruling that the executive order could not be implemented because it was in violation of the National Labor Relations Act.

That 60-year-old statute, which governs U.S. labor-management relations, allows employers to replace workers who strike over economic conditions.

The appeals panel ruled that the Clinton executive order "is regulatory in nature and is preempted by the National Labor Relations Act, which guarantees the right to hire permanent replacements."

The ruling must withstand an expected administration appeal to the full appeals court or to the U.S. Supreme Court, but Chamber officials believe the decision is likely to stand.

"The appeals panel decision effectively ends the Clinton administration's blatant political attempt to circumvent Congress and nearly 60 years of labor law,"

"The new ruling on striker replacement provides business with a really big boost."

— Stephen A. Bokat



Stephen A. Bokat, vice president and general counsel of the U.S. Chamber, sees this victory as the last nail in the coffin for the president's directive on the replacement of strikers.

said Stephen A. Bokat, vice president and general counsel of the Chamber. "The new ruling on striker replacement provides business with a really big boost at a time when organized labor is becoming much more aggressive in organizing and making demands of employers," he added.

The executive order took effect immediately after the president signed it. It prohibited federal agencies from awarding federal contracts valued at more than \$100,000 to companies that hire replacement workers for economic strikers.

The Chamber, backed by other business groups, quickly asked the U.S. District Court for the District of Columbia to bar federal contract officials from implementing the order. But in early May of last year, the District Court rejected the petition. The court reasoned that because no government contractor had yet been barred from receiving contracts, the order was not "ripe" for review.

The Chamber immediately appealed the decision to the Court of Appeals, which the following month ordered the District Court to review the case.

On July 31, the District Court blocked enforcement of the order, agreeing with the

Chamber and other business plaintiffs that the order would unduly harm many firms contracting with the federal government. However, the District Court rejected arguments by the business groups that the order was unconstitutional and violated the labor-relations act.

The Chamber's appeal to the Court of Appeals on the constitutional issue resulted in the recent ruling in the business community's favor.

1995 How THEY VOTED
Page 3A

■ Labor Costs

Chamber Fights Wage Proposals

Like a bad penny, efforts by Democrats to raise the federally mandated minimum wage keep turning up.

While President Clinton is urging an increase, the U.S. Chamber of Commerce is opposed to any hike in the federal minimum wage, currently \$4.25 an hour.

The minimum-wage issue returned to the legislative front burner Jan. 23 when Clinton, during his State of the Union address, urged Congress to raise the wage floor.

Shortly thereafter, House Minority Whip David E. Bonior, D-Mich., announced at a news conference that seeking a hike in the minimum wage would be his party's No. 2 priority this year, behind strengthening federal education programs.

The Chamber has steadfastly opposed efforts to increase the minimum wage whenever they have been raised. Its position is based on numerous studies that show that job losses result whenever the wage is increased.

Minimum-wage increases also put upward pressure on hourly wages that



As secretary of labor, Robert Reich will lead efforts by the Clinton administration to increase the minimum wage.

are higher, the Chamber points out, noting organized labor's tradition of strong support for such increases.

As the wage-hike issue showed signs of heating up, the U.S. Chamber's board of directors voted in 1995 to reinterpret previously adopted policy to allow the organization's staff to seek repeal of the federal minimum wage. The board's previous policy was simply to oppose increases in the wage level.

Chamber members overwhelmingly oppose a minimum-wage increase. In the April 1995 Business Ballot poll of members, 72 percent of the respondents were against the Clinton administration's pending proposal to raise the minimum wage to \$5.15 an hour over two years.

More than 55 percent of respondents said such a wage hike would slow economic growth, and nearly 17 percent said it would result in layoffs at their firms.

The federal minimum wage was last increased in 1991, when it rose to \$4.25 an hour from \$3.80. The previous year it had jumped to \$3.80 from \$3.35. Some states have minimum wages that are higher than the federal wage requirement.

The issue of raising the minimum wage came up in the Senate late last year during debate on a balanced-budget bill. Proponents of hiking the rate sought to amend the budget bill with a resolution expressing the sense of the Senate as being in favor of such an increase. But they fell nine votes short of the 60 required by budget rules to achieve this parliamentary maneuver.

■ Victory

Pension Taxes Limited

The U.S. Chamber of Commerce recently helped win protection for employers from burdensome requirements for keeping tax records. It also won measures to protect retirees from multiple taxation of retirement benefits.

President Clinton signed the protections into law Jan. 10. The legislation precludes any state from taxing nonresident retirees on grounds that some or all of their retirement benefits were earned within the state's borders.

Without such a statute, the Chamber noted, retirees and their former employers could have faced substantial burdens. States could have required employers to collect state taxes on retirees, the Chamber said.

Moreover, employers with business

locations in more than one state who had employees who had worked in several locations during their careers could have been required to substantiate the portion of each worker's retirement benefits earned in each state.

A company's retirees who had worked and accumulated retirement benefits in several states could have been taxed on their total annual retirement income by each of those states unless the retiree could differentiate the sources of the benefits.

While almost every state has a law allowing this taxation of retirement benefits—known as state-source taxation—only a few, including California, Kansas, Louisiana, New York, and Oregon, had imposed the tax.

■ Trade

Asia Conference Slated For March

The U.S. Chamber of Commerce will be one of the sponsors of the ninth annual Asia/Pacific Business Outlook Conference, scheduled for March 18-20 in Los Angeles.

Featured will be business, government, and academic experts on U.S. trade opportunities with Asia's Pacific Rim countries. The content is being organized by the U.S. and Foreign Commercial Service, which is part of the Department of Commerce, and by the International Business Education and Research program of the University of Southern California.

For more information, call the Chamber's International Division at (202) 463-5460.

1995 How They Voted

**First Session
104th Congress**



How They Voted is published by the U.S. Chamber of Commerce after each session of Congress. In this publication, the Chamber evaluates the support or opposition of each U.S. senator and representative on selected issues of interest to Chamber members.

During the 1995 session of the 104th Congress, 19 key Senate votes and 24 key House votes were chosen as a fair representation of floor votes on issues important to the business community.

For a vote to be included in "How They Voted," it must meet three criteria. First, the vote must be a recorded floor vote. Second, the U.S. Chamber's board of directors must have clear policy on the issue. And third, the Chamber must have communicated its position on the issue to Congress.

Each Senate and House vote used in the ratings is described separately and identified by a number on the following

pages, beginning with the Senate votes.

The numbers on the vote descriptions correspond to the numbers at the top of the columns of tabular information.

The "Key to Symbols," on Page 4A, explains how to interpret the vote tables.

For more information, call the Chamber's Office of Congressional Affairs at (202) 463-5600.

For additional copies of "How They Voted," contact Publications Fulfillment,

U.S. Chamber of Commerce, 1615 H Street, N.W., Washington, D.C. 20062-2000, or call 1-800-638-6582 (within Maryland, dial 1-800-352-1450). Ask for Publication No. 0467.

Copies are \$9.00 each for Chamber members; \$11.00 each for nonmembers. Add \$1.95 for postage and handling for orders up to \$15; \$2.95 for orders from \$15.01 to \$50; \$3.95 for orders from \$50.01 to \$150; and \$4.95 for orders over \$150.



State	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	95 %	CUM %
ALABAMA																					
HEFLIN (D)	+	+	+	-	+	-	-	-	-	+	+	+	+	+	+	-	+	-	+	63	55
SHELBY (R)	+	+	+	+	+	-	-	+	+	+	+	+	+	+	+	+	+	+	+	89	84
ALASKA																					
MURKOWSKI (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	82
STEVENS (R)	+	+	+	+	?	+	+	+	+	-	+	+	+	+	+	+	+	+	+	94	71
ARIZONA																					
KYL (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	80
MCCAIN (R)	?	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	?	+	100	84
ARKANSAS																					
BUMPERS (D)	-	-	+	+	-	-	-	-	-	-	-	-	-	+	+	-	-	-	+	32	21
PRYOR (D)	+	-	?	+	-	-	+	-	-	-	-	-	+	+	+	-	-	-	+	39	44
CALIFORNIA																					
BOXER (D)	-	-	+	-	-	-	-	-	-	-	-	-	-	+	+	-	-	-	+	26	20
FEINSTEIN (D)	+	-	+	-	+	-	+	-	-	+	-	-	-	+	+	-	-	-	-	37	27
COLORADO																					
BROWN (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	89
CAMPBELL (D-R)**	+	+	+	+	+	?	+	+	+	+	+	+	+	+	+	-	+	+	+	94	82
CONNECTICUT																					
DODD (D)	+	-	+	-	-	-	+	-	-	-	-	-	+	+	+	-	-	-	-	32	26
LIEBERMAN (D)	-	-	+	-	+	+	?	-	-	-	-	-	+	+	+	-	-	-	-	33	34
DELAWARE																					
BIDEN (D)	+	+	+	-	+	-	-	-	-	-	-	-	+	+	+	-	-	-	-	37	28
ROTH (R)	+	+	+	+	+	-	-	+	+	-	-	-	+	+	+	+	-	+	-	68	79
FLORIDA																					
GRAHAM (D)	+	+	+	-	+	-	-	-	-	+	-	-	+	+	+	-	-	-	+	47	33
MACK (R)	+	+	+	+	+	+	+	+	+	+	?	+	+	+	+	+	+	+	+	100	93
GEORGIA																					
COVERDELL (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	97
NUMM (D)	+	+	+	+	-	-	+	+	-	+	+	-	+	+	+	-	-	-	+	63	61
HAWAII																					
AKAKA (D)	?	-	+	-	-	?	-	-	-	-	-	-	-	+	+	-	+	-	-	24	25
INOUE (D)	?	-	+	-	-	-	-	-	-	-	?	+	+	+	+	-	+	-	+	41	26
IDAHO																					
CRAIG (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	82
KEMPTHORNE (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	91
ILLINOIS																					
MOSELEY-BRAUN (D)	+	+	+	-	-	-	+	-	-	-	-	-	-	+	+	-	-	-	-	32	34
SIMON (D)	+	+	+	-	-	-	-	-	-	-	-	-	-	-	+	-	-	-	-	21	26
INDIANA																					
COATS (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	95	88
LUGAR (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	88
IOWA																					
GRASSLEY (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	79
HARKIN (D)	+	+	+	-	+	?	-	-	-	-	-	-	+	+	+	-	-	-	+	44	33

** Switched political parties during 1995.

SENATE VOTES

1. Unfunded Mandates (S. 1)

The Senate passed 86-10 the Unfunded Mandates Reform Act. (The House passed a similar measure, and President Clinton signed a reconciled version into law.)

The law in effect requires the federal government to fund mandates that would cost state or local governments a total of more than \$50 million. It also requires the Congressional Budget Office to conduct an impact analysis of any unfunded mandate that would cost businesses collectively more than \$100 million. Any member of Congress may block a mandate if the analysis is not done.

Achieving controls on unfunded mandates was the top legislative priority of Chamber members, so the Chamber vigorously supported this measure to introduce financial accountability into the federal legislative and regulatory process.

2. Balanced Budget (H.J.Res. 1)

The Senate rejected 65-35 a constitutional amendment that would have required the annual federal budget to be in balance unless a three-fifths majority of the Senate and House voted for a deficit. (It takes a two-thirds majority—67 votes—to pass a constitutional amendment in the Senate.)

The Chamber supported the balanced-budget amendment because statutory attempts to impose fiscal restraint have failed, largely because budget procedures and constraints can be easily circumvented under current law.

(Senate Majority Leader Robert Dole, R-Kan., is scored as voting in support of the Chamber's position even though he voted against the amendment. By voting "no," Dole retained the right to call for reconsideration of the amendment later in the 104th Congress.)

KEY TO SYMBOLS

- +** "Right" vote, supporting the U.S. Chamber position.
- "Wrong" vote, contrary to the U.S. Chamber position.
- ?** No recorded vote.
- P** Voted "present."
- O** Seat vacant on date of vote.

95% Percentage of right votes out of total votes cast by that member on Chamber-selected issues during 1995, the first session of the 104th Congress.

CUM% Cumulative percentage of right votes out of total votes cast by that member on Chamber-selected issues

since the Chamber began rating members in 1965, or since that member's first year in Congress, through 1995.

Note: The percentage calculations were made using only "+" and "-" votes. The "?," "P" and "O" votes were not included in the calculations.

State	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	95 %	CUM %
KANSAS																					
DOLE (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	85
KASSEBAUM (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	89	71
KENTUCKY																					
FORD (D)	+	-	+	-	+	-	-	-	-	-	-	+	+	+	+	-	+	-	+	47	37
McCONNELL (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	90
LOUISIANA																					
BREAUX (D)	+	+	+	-	+	-	-	-	-	-	+	?	+	+	+	-	+	-	+	56	80
JOHNSTON (D)	+	-	+	-	-	-	+	-	-	-	+	-	+	+	+	-	+	-	+	47	53
MAINE																					
COHEN (R)	+	+	+	+	+	-	-	+	+	-	+	-	+	?	+	-	-	-	+	61	57
SNOWE (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	-	-	+	+	84	66
MARYLAND																					
MIKULSKI (D)	+	-	+	-	-	-	+	?	-	-	-	-	+	+	+	-	-	-	+	39	26
SARBANES (D)	-	-	+	-	-	-	-	-	-	-	-	-	-	+	+	-	-	-	+	21	19
MASSACHUSETTS																					
KENNEDY (D)	+	-	+	-	+	?	-	-	-	-	-	-	-	+	+	-	-	-	+	33	18
KERRY (D)	+	-	+	-	+	-	-	-	-	-	-	-	-	+	+	-	-	-	-	32	21
MICHIGAN																					
ABRAHAM (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	100
LEVIN (D)	-	-	+	-	-	-	-	-	-	-	-	-	-	+	+	+	-	-	+	26	23
MINNESOTA																					
GRAMS (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	94
WELLSTONE (D)	+	-	+	-	+	-	-	-	-	-	-	-	-	+	+	-	-	-	+	32	17
MISSISSIPPI																					
COCHRAN (R)	+	+	+	+	+	-	+	+	+	+	+	+	+	+	+	+	+	+	+	95	84
LOTT (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	88
MISSOURI																					
ASHCROFT (R)	+	+	+	+	+	+	+	+	+	+	?	+	+	+	+	+	+	+	+	100	100
BOND (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	88
MONTANA																					
BAUCUS (D)	+	+	+	-	-	-	-	-	-	+	-	+	+	+	+	-	-	-	+	47	33
BURNS (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	89
NEBRASKA																					
EXON (D)	+	+	+	+	+	+	+	-	-	+	-	-	+	+	+	-	-	-	+	63	47
KERREY (D)	+	-	+	-	-	?	-	+	-	+	-	-	-	+	+	-	-	-	+	39	30
NEVADA																					
BRYAN (D)	+	+	+	-	-	-	-	-	-	-	+	+	+	+	+	-	-	-	+	42	27
REID (D)	+	-	+	-	-	-	-	-	-	-	+	+	+	+	+	-	-	-	+	37	26
NEW HAMPSHIRE																					
GREGG (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	95	88
SMITH (R)	+	+	+	+	+	+	+	+	+	+	?	+	+	+	+	+	+	+	?	100	91
NEW JERSEY																					
BRADLEY (D)	-	-	+	-	+	-	-	-	-	-	-	-	-	+	+	-	-	-	-	21	27
LAUTENBERG (D)	-	-	+	-	-	-	-	-	-	-	-	-	-	+	+	-	-	-	-	16	26

3. Paperwork Reduction (S. 244)

The Senate approved 99-0 reauthorization of the Paperwork Reduction Act. (The House passed a similar measure, and the president signed a reconciled version into law.)

The law reduces the paperwork burdens imposed on individuals and businesses by the federal government by strengthening the ability of the Office of Information and Regulatory Affairs to review proposed and existing paperwork requirements, providing for increased

public comment on such requirements, and ensuring realistic time and cost estimates of paperwork reporting and record keeping.

The Chamber worked on behalf of the legislation, which Chamber members identified as a high priority.

4. Striker Replacement

The Senate rejected an attempt to overturn an executive order that barred federal agencies from contracting with firms that replace workers who strike for

economic reasons. The action came in a 58-39 vote on a motion to end debate on a proposed amendment to a supplemental appropriations bill for the Department of Defense. (It takes a three-fifths majority—60 votes—to limit debate in the Senate.)

The Chamber opposed the executive order, which tipped in favor of organized labor the balance between unions and business that has existed in federal labor law for more than 60 years.

5. Line-Item Veto (S. 4)

The Senate passed 69-29 legislation that in effect would grant the president authority to veto line items in appropriations bills as well as some individual tax breaks in revenue bills and new entitlement spending. As always, Congress could override a presidential veto by a two-thirds vote of both houses.

The Chamber supported the measure as a tool for achieving spending restraint and long-term deficit reduction. (The House passed a different line-item veto bill, and differences have not yet been reconciled.)

6. Product-Liability Reform

The Senate rejected 49-43 a motion to end debate on the Product Liability Fairness Act. The bill would cap punitive damages in civil product-liability cases at the larger of \$250,000 or two times compensatory damages and would make other significant reforms in the product-liability system.

The Chamber supported this effort to reform the product-liability system and establish limits on punitive-damages awards. Such awards have increased 89 percent in the past 20 years, with the resulting higher costs of goods and services being passed on to consumers.

7. Product-Liability Reform (H.R. 956)

The Senate passed 61-37 a proposal to reform the legal system governing product-liability suits in federal and state courts. The bill would cap punitive-damages awards against small companies and would provide a conditional cap for firms with more than 25 workers. It also would eliminate joint and several liability for noneconomic damages.

The Chamber supported the legislation as an alternative to the current liability-law system, which costs consumers more than \$130 billion annually. (The House passed a different legal-reform bill, but differences have not been reconciled.)

State	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	95 %	CUM %
NEW MEXICO																					
BINGAMAN (D)	+	-	+	-	-	-	-	-	-	+	-	+	+	+	+	-	-	-	+	42	36
DOMENICI (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	75
NEW YORK																					
D'AMATO (R)	+	+	+	+	+	-	-	+	+	+	+	+	+	+	+	+	+	+	+	89	67
MOYNIHAN (D)	+	-	+	-	-	-	-	-	-	-	-	-	-	?	+	-	-	-	+	22	28
NORTH CAROLINA																					
FAIRCLOTH (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	95	84
HELMS (R)	+	+	+	+	+	+	+	+	+	+	+	+	?	+	+	+	+	+	+	100	89
NORTH DAKOTA																					
CONRAD (D)	+	-	+	-	-	-	+	-	-	+	-	+	+	+	+	-	-	-	+	42	32
DORGAN (D)	+	-	+	-	+	-	+	-	-	+	-	+	+	+	+	-	-	-	+	47	31
OHIO																					
DEWINE (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	89	82
GLENN (D)	+	-	+	-	-	-	+	-	-	-	-	-	-	+	+	+	-	-	+	37	33
OKLAHOMA																					
INHOFF (R)	+	+	+	+	+	+	+	+	+	?	+	+	+	+	+	+	+	+	+	100	90
NICKLES (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	89
OREGON																					
HATFIELD (R)	+	-	+	+	-	+	+	+	+	+	+	+	?	+	+	+	+	+	+	89	57
PACKWOOD (R)	+	+	+	+	+	-	-	+	+	+	+	+	0	0	0	0	0	0	0	85	58
PENNSYLVANIA																					
SANTORUM (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	88
SPECTER (R)	+	+	+	+	+	-	-	+	+	+	+	+	+	+	+	-	-	+	+	79	57
RHODE ISLAND																					
CHAFEE (R)	+	+	+	+	+	+	+	+	+	-	+	+	+	+	+	+	-	+	+	89	59
PELL (D)	+	-	-	P	-	?	+	-	-	-	P	-	+	+	+	-	-	-	-	38	23
SOUTH CAROLINA																					
HOLLINGS (D)	-	-	+	+	+	-	-	-	-	+	-	-	+	+	+	-	-	-	-	37	46
THURMOND (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	88
SOUTH DAKOTA																					
DASCHLE (D)	+	-	+	-	+	-	-	-	-	-	-	-	+	+	+	-	-	-	+	37	37
PRESSLER (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	72
TENNESSEE																					
FRIST (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	100
THOMPSON (R)	+	+	+	+	+	-	+	+	+	+	+	+	+	+	+	+	+	+	+	89	89
TEXAS																					
GRAMM (R)	?	+	+	+	?	+	+	+	+	+	+	+	+	+	+	+	+	+	?	100	88
HUTCHISON (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	100
UTAH																					
BENNETT (R)	+	+	+	+	+	?	+	+	+	+	+	+	+	+	+	+	+	+	+	100	97
HATCH (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	91

8. Fiscal 1996 Budget Resolution (H.Con.Res. 67)

After nearly 60 rounds of voting to amend the fiscal 1996 budget resolution, the Senate passed 57-42 a plan to balance the federal budget by 2002. The plan contained specific proposals for cutting federal spending in discretionary programs, limiting the growth of entitlement programs, reducing government waste, and providing for a tax cut if a balanced budget is certified by the Congressional Budget Office.

The Chamber supported the resolution as an important step toward reducing the

scope and cost of government, lowering taxes, and spurring economic growth.

9. Fiscal 1996 Budget Resolution (H.Con.Res. 67)

After reconciling differences in the House-passed version, the Senate passed 54-46 the consensus version of the fiscal 1996 budget resolution.

The Chamber supported the conference report, which emphasized balancing the budget, streamlining government spending, and providing meaningful tax relief.

(A budget resolution does not require the president's signature.)

10. Regulatory Reform

The Senate approved 60-36 an amendment to the Comprehensive Regulatory Reform Act to subject to risk assessments and cost-benefit analyses those regulations that would substantially affect a significant number of small firms, even if complying with the regulations would cost businesses less than \$100 million altogether.

The Chamber supported the amendment as a way to protect small businesses from burdensome yet ineffective regulations.

11. Regulatory Reform (S. 343)

The Senate rejected 58-40 a motion to end debate on the Comprehensive Regulatory Reform Act, which would have required federal agencies to conduct risk assessments and cost-benefit analyses on new federal environmental, health, and safety regulations. (It takes a three-fifths majority—60 votes—to limit debate in the Senate.)

The Chamber supported this legislation in the belief that the current regulatory system is badly in need of an overhaul: American business spends more than \$600 billion annually in complying with federal regulations, with small business bearing a disproportionate share of the burden.

(Further Senate action on a comprehensive regulatory-reform bill is uncertain, though some components could be voted on independently.)

12. Mining Moratorium

By 51-46, the Senate rejected adoption of a one-year moratorium on mining-claims patents, which provide businesses with title to certain public lands for the purpose of developing hardrock-mineral claims.

The Chamber opposed the moratorium because it would have hindered efforts to reform the federal hardrock-mining program. Those efforts were under way at the time of the vote on the ban, and they subsequently resulted in reforms expected to spur domestic production of minerals and create high-paying jobs while generating tax and royalty revenues and safeguarding the environment.

13. Welfare Reform (H.R. 4)

The Senate passed 87-12 a proposal to overhaul the welfare system by giving states the primary authority to manage welfare programs and by requiring

State	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	95 %	CUM %
VERMONT																					
JEFFORDS (R)	+	+	+	?	-	+	+	+	+	?	+	-	+	+	+	-	-	+	+	76	50
LEAHY (D)	-	-	+	-	-	-	-	-	-	-	-	-	-	+	+	-	-	-	-	10	26
VIRGINIA																					
ROBB (D)	+	+	+	-	+	-	+	+	-	+	-	-	+	+	+	-	-	-	+	58	37
WARNER (R)	+	+	+	+	+	?	?	+	+	+	+	+	+	+	+	+	+	+	+	100	85
WASHINGTON																					
GORTON (R)	+	+	+	+	+	-	+	+	+	+	+	+	+	+	+	+	+	+	-	89	78
MURRAY (D)	+	-	+	?	-	-	-	-	-	-	-	-	+	+	+	-	-	-	+	30	22
WEST VIRGINIA																					
BYRD (D)	-	-	+	-	-	-	-	-	-	-	-	-	+	+	+	-	-	-	+	26	30
ROCKEFELLER (D)	+	+	+	-	-	-	+	-	-	+	-	-	+	+	+	-	-	-	+	42	29
WISCONSIN																					
FENIGOLD (D)	+	-	+	-	+	-	-	-	-	+	-	-	+	+	+	-	-	-	+	42	17
KOHL (D)	+	+	+	-	+	-	+	-	-	-	-	-	+	+	+	-	-	-	+	47	32
WYOMING																					
SIMPSON (R)	+	+	+	+	+	-	-	+	+	+	+	+	+	+	+	+	+	+	+	89	85
THOMAS (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	96

welfare recipients to work after receiving benefits for two years.

(The House passed a similar measure, but the president vetoed the reconciled version.)

The private sector is a critical component of meaningful job training and of employment, and the Chamber supports this and other welfare-reform measures that would require welfare recipients to attain the knowledge, skills, and attitudes necessary to enter and be successful in the workplace.

14. Job Training (H.R. 1617)

The Senate passed 95-2 legislation that would consolidate most federal job-training programs into a single, universal work-force-development system.

The Chamber supported this effort to promote business-education partnerships, create a single system for delivering education and training services at the local level, and develop programs to help achieve a world-class work-force-development system that is responsive to today's skill needs.

The bill would enable small businesses and local chambers of commerce to participate in delivering education and training services. (The House passed a separate training bill, but differences have not been reconciled.)

15. Health-Insurance Deduction For The Self-Employed

The Senate passed 99-0 an amendment to the Seven-Year Balanced Budget Reconciliation Act that would have increased to 55 percent the tax deduction for health-insurance costs of the self-

employed. (The president vetoed the Senate-House consensus version of the budget bill.)

The Chamber has long maintained that unincorporated small businesses and the self-employed should receive the same 100 percent health-insurance tax deduction that is available to corporations.

Earlier legislation extended the deductibility at the 25 percent level for 1994 and increased it to 30 percent in successive years, after which the 30 percent level becomes permanent; this amendment would have immediately increased the deduction to 55 percent.

16. Minimum Wage

The Senate defeated 51-48 a motion to waive budget rules and consider an amendment to the Seven-Year Balanced Budget Reconciliation Act that would have expressed the sense of the Senate that an increase in the federally mandated minimum wage should be considered by Congress in 1995.

(It takes a three-fifths majority—60 votes—in the Senate to waive provisions of the budget act and consider legislation that would increase government spending above limits previously agreed upon by Congress.)

The Chamber opposed the motion because studies show that increases in the minimum wage result in creation of fewer low-wage jobs.

The approach that the Chamber prefers for ensuring job growth and wage increases is to move toward government policies that promote the growth of the free-market system without government mandates.

17. Arctic National Wildlife Refuge

The Senate approved 51-48 a motion to table and thereby kill an amendment to the Seven-Year Balanced Budget Reconciliation Act that would have struck provisions authorizing oil and gas development in the Arctic National Wildlife Refuge.

The Chamber argued that, through the use of advanced technologies, the Arctic coastal plain could be developed in an environmentally sound manner. The refuge is the nation's most promising onshore frontier for oil and gas development, and the government estimates that coastal-plain development would create more than 250,000 jobs.

18. Seven-Year Balanced Budget Reconciliation Act (H.R. 2491)

The Senate passed 52-47 the Seven-Year Balanced Budget Reconciliation Act, which would have implemented specific spending reductions and reformed federal programs and the tax code to balance the budget by 2002. (The president vetoed the Senate-House consensus version of the budget bill.)

Among other things, the legislation would have reformed the Medicare program to ensure its solvency by controlling its rate of spending growth and offering choices to recipients, implemented tax relief for families and businesses, and reformed the nation's welfare system. The bill also would have slowed runaway entitlement spending.

As an ardent advocate of balancing the budget, the Chamber vigorously supported enactment of this legislation to ensure lower interest rates, boost savings and investment, increase productivity, and lead to more and better jobs and a higher standard of living.

19. National Highway System (H.R. 2274)

The Senate passed 80-16 the House-Senate compromise version of legislation to designate 160,000 miles of roads as the National Highway System (NHS).

The Chamber supported the legislation, signed into law by the president, because the NHS represents a long-term investment in the nation's productivity and competitiveness.

The law provides priority funding for the roads that are most important to U.S. commercial and personal transportation needs. Ninety-five percent of businesses will be within five miles of the NHS, making the system crucial to the long-term growth of commerce.

HOUSE VOTES

1. Balanced Budget (H.J.Res. 1)

The House approved 253-173 a substitute version of a constitutional amendment to require a three-fifths majority vote of the House and the Senate to increase taxes, allow deficit spending, or raise the statutory limit on federal debt.

This measure was later superseded by another version of the balanced-budget amendment with similar provisions, with the exception that it would not require a supermajority vote of Congress to raise taxes.

The Chamber supported the supermajority requirements, which would make it substantially more difficult for Congress to raise taxes and would provide the discipline needed to cut government spending and diminish the national debt.

2. Balanced Budget (H.J.Res. 1)

The House approved 300-132 a constitutional amendment that would require the annual federal budget to be in balance beginning in 2002 or two years after ratification of the amendment, whichever occurred later.

(It takes a two-thirds majority—290 votes—to approve a constitutional amendment in the House.)

Under the amendment, a three-fifths majority vote of the House and Senate would be required to allow deficit spending or raise the statutory limit on federal debt. However, as always, taxes could be raised by a simple majority vote.

The Chamber supported the amendment because it would restore a critical principle of fiscal responsibility and limited government. Further, it would promote sound economic policy, encourage savings and investment, and spur economic growth.

3. Unfunded Mandates (H.R. 5)

The House passed 360-74 the Unfunded Mandates Reform Act. (The Senate passed a similar measure, and the president signed a reconciled version into law.)

The law requires the Congressional Budget Office to conduct an impact analysis of any unfunded mandate that would cost businesses collectively more than \$100 million. Any member of Congress may block a mandate if the analysis is not done.

State & District	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	%	CUM %	
ALABAMA																											
1 CALLAHAN (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	90	
2 EVERETT (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	89	
3 BROWDER (D)	+	+	+	+	+	+	+	+	+	-	+	+	+	-	+	-	+	+	+	+	-	+	-	-	87	82	
4 BEVILL (D)	+	+	+	+	+	+	+	+	+	-	+	+	+	-	+	-	+	+	+	-	-	-	-	-	67	47	
5 CRAMER (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	?	+	+	+	+	-	+	+	+	71	47	
6 BACHUS (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	?	+	+	+	+	+	+	+	+	100	94	
7 HILLIARD (D)	-	-	-	-	-	+	+	+	?	-	-	-	-	-	-	-	-	-	-	-	?	-	-	-	23	19	
ALASKA																											
YOUNG (R)	+	+	+	+	+	+	+	+	+	+	+	-	+	+	+	+	?	+	+	-	+	+	+	+	91	6	
ARIZONA																											
1 SALMON (R)	+	+	+	+	+	+	+	+	+	+	-	+	+	+	+	+	+	+	+	+	+	+	+	+	96	96	
2 PASTOR (D)	-	-	-	-	+	-	-	-	-	-	-	-	-	+	+	+	+	+	+	+	-	-	-	-	21	27	
3 STUMP (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	89	
4 SHADEGG (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	100	
5 KOLBE (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	95	
6 HAYWORTH (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	100	
ARKANSAS																											
1 LINCOLN (D)	+	+	+	-	+	+	+	+	-	+	-	-	-	+	+	+	+	+	+	+	-	+	-	-	63	64	
2 THORNTON (D)	-	-	+	-	+	-	-	-	-	+	-	-	-	+	-	+	+	+	+	-	-	-	?	-	39	45	
3 HUTCHINSON (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	90	
4 DICKEY (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	89	
CALIFORNIA																											
1 RIGGS (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	90	
2 HERGER (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	91	
3 FAZIO (D)	-	-	+	-	+	+	+	+	+	+	-	+	-	+	-	+	+	+	+	-	-	-	+	+	38	31	
4 DODDLITTLE (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	86	
5 MATSUI (D)	?	-	-	-	+	+	-	-	-	-	-	-	-	+	-	+	+	+	+	-	-	-	-	-	22	27	
6 WOOLSEY (D)	-	-	-	-	+	+	-	-	-	-	-	-	-	+	-	+	+	+	+	-	-	-	-	-	17	17	
7 MILLER (D)	-	-	-	-	+	-	?	-	-	-	-	-	-	-	+	-	+	+	+	-	-	-	-	-	17	23	
8 PELOSI (D)	-	-	-	-	+	-	?	-	-	-	-	-	-	-	+	-	+	+	+	-	-	-	-	-	22	19	
9 DELLUMS (D)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6	19	
10 BAKER (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	90	
11 POMBO (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	93	
12 LANTOS (D)	-	-	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	-	-	-	-	-	25	26	
13 STARK (D)	-	-	-	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	-	-	-	-	-	13	19	
14 ESHOO (D)	-	-	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	-	-	-	-	-	33	31	
15 MINETA (D)	-	-	-	-	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	-	0	0	0	0	20	26	
16 LOFGREN (D)	-	-	-	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	-	-	-	-	-	21	21	
17 FARR (D)	-	-	-	-	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	-	-	-	-	-	17	32	
18 CONDIT (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	79	61	
19 RADANOVICH (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	100	
20 DOOLEY (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	71	87	
21 THOMAS (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	93	
22 SEASTRAND (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	92	92	
23 GALLEGLY (R)	-	-	-	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	91	
24 BEILSENSON (D)	-	-	-	-	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	-	-	-	-	-	17	26	
25 McKEON (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	100	
26 BERMAN (D)	-	-	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	27	25	
27 MOOREHEAD (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	90	
28 CREIER (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	92	
29 WAXMAN (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	13	23	
30 BECERRA (D)	-	-	?	?	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9	22	
31 MARTINEZ (D)	-	-	-	-	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	?	-	-	-	+	26	27	
32 DIXON (D)	-	-	+	-	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	-	-	-	-	-	17	25	
33 ROYBAL-ALLARD (D)	-	-	-	-	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	-	-	-	-	-	13	22	
34 TORRES (D)	-	-	-	-	-	-	-	-	-	-	-	-	-	?	-	-	+	+	+	-	-	-	-	-	21	25	
35 WATERS (D)	-	-	-	-	-	-	-	-	-	-	-	-	-	?	-	-	-	-	-	-	-	-	-	-	0	12	
36 HARMAN (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	?	?	?	?	?	54	53	
37 TUCKER (D)	-	-	-	?	+	+	+	+	+	+	+	+	+	+	+	+	?	?	?	?	?	?	?	?	13	24	
38 HORN (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	88	90	
39 ROYCE (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	?	?	?	?	?	?	96	90	
40 LEWIS (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	?	?	?	?	?	?	95	82	
41 KIM (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	100	
42 BROWN (D)	?	-	-	+	+	-	?	-	?	-	?	-	-	-	-	-	+	+	+	-	-	-	-	-	29	23	
43 CALVERT (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	100	
44 BONO (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	100	
45 ROHRBACHER (R)	+	+	+	+	+	+	+	?	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	87	
46 GORNAN (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	86	
47 COX (R)	?	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	87	
48 PACKARD (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	90	
49 BILBRAY (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	86	
50 FILNER (D)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	?	-	-	-	-	-	-	-	17	26	
51 CUNNINGHAM (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	90	
52 HUNTER (R)	+	+	+	+	?	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	91		

Achieving controls on unfunded mandates was the top legislative priority

of Chamber members, so the Chamber vigorously supported this measure to

introduce financial accountability into the federal legislative and regulatory process.

4. Line-Item Veto (H.R. 2)

The House passed 294-134 legislation that in effect grants the president authority to veto within 10 days of their approval by Congress line items in appropriations bills and some tax breaks. Congress could override a presidential veto by a two-thirds vote of both houses.

The Chamber supported the measure as a tool for achieving spending restraint and long-term deficit reduction. (The Senate passed a different line-item veto bill, but differences have not been reconciled.)

5. Health-Insurance Deduction For The Self-Employed

The House passed 381-44 an amendment to the Seven-Year Balanced Budget Reconciliation Act that would have increased to 55 percent the tax deduction for health-insurance costs of the self-employed. (The president vetoed the Senate-House consensus version of the budget bill.)

The Chamber has long maintained that unincorporated small businesses and the self-employed should receive the same 100 percent health-insurance tax deduction available to corporations.

Previous legislation extended the deductibility at the 25 percent level for 1994 and increased it to 30 percent in successive years, after which the 30 percent level becomes permanent; this amendment would have immediately increased the deduction to 55 percent.

6. Regulatory Flexibility (H.R. 926)

The House approved 415-15 legislation that would strengthen the Regulatory Flexibility Act by empowering federal courts to review compliance with that statute by federal agencies. The Regulatory Flexibility Act stipulates that when a regulation has a substantial impact on small businesses, alternative regulatory proposals must be considered to help those small businesses comply.

The Chamber supported the bill because small businesses need relief from the burden of federal regulations, which often do not comply with the Regulatory Flexibility Act. (The Senate could consider similar legislation this year.)

7. Private-Property Rights (H.R. 925)

The House approved 301-128 an amendment that would strengthen the

State & District	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	95 %	CUM %	
COLORADO																											
1 SCHROEDER (D)	-	-	-	-	+	+	-	-	-	-	-	-	-	-	-	-	+	+	-	-	-	-	-	-	17	31	
2 SKAGGS (D)	-	-	-	-	+	+	-	-	-	-	-	-	-	-	-	+	+	+	-	-	-	-	-	-	21	38	
3 McINNIS (R)	+	+	+	+	+	+	-	+	+	-	+	+	-	+	-	+	+	+	-	-	-	+	+	+	96	90	
4 ALLARD (R)	+	+	+	+	+	+	-	+	+	-	+	+	-	+	-	+	+	+	+	+	+	+	+	+	96	90	
5 HEFLEY (R)	+	+	+	+	+	+	-	+	+	-	+	+	-	+	-	+	+	+	+	+	+	+	+	+	92	90	
6 SCHAEFER (R)	+	+	+	+	+	+	-	+	+	-	+	+	-	+	-	+	+	+	+	-	-	+	+	+	96	85	
CONNECTICUT																											
1 KENNELLY (D)	-	-	+	-	+	+	+	-	+	-	-	-	-	-	-	+	-	+	+	-	-	-	-	-	33	28	
2 GEJDENSON (D)	-	-	-	-	+	+	-	-	-	-	-	-	-	-	-	-	+	+	-	-	-	-	-	-	13	2	
3 DiLAURO (D)	-	-	+	-	+	+	-	-	-	-	-	-	-	-	-	-	+	+	-	-	-	-	-	-	25	18	
4 SHAYS (R)	+	+	+	+	+	+	+	-	+	-	+	-	-	+	+	+	+	+	+	+	-	-	-	-	79	67	
5 FRANKS (R)	+	+	+	+	+	+	+	+	?	+	+	+	-	+	+	+	+	+	+	+	+	+	+	+	96	91	
6 JOHNSON (R)	-	-	+	+	+	+	+	+	+	+	+	+	-	+	+	+	+	+	+	+	+	+	-	-	78	70	
DELAWARE																											
CASTLE (R)	+	+	+	+	+	+	+	+	+	+	+	+	-	+	+	+	+	+	+	+	+	+	+	-	92	95	
FLORIDA																											
1 SCARBOROUGH (R)	+	+	+	+	+	+	-	+	+	+	+	+	+	+	+	-	+	+	+	+	-	+	+	88	88		
2 PETERSON (D)	-	+	+	-	+	+	-	+	+	+	+	+	+	+	+	-	+	+	+	+	-	-	?	48	85		
3 BROWN (D)	-	-	-	-	+	+	-	-	-	-	-	-	-	-	-	+	+	+	+	-	-	-	-	13	81		
4 FOWLER (R)	+	+	+	+	+	+	+	+	+	+	+	+	-	-	-	+	+	+	+	-	-	+	+	100	91		
5 THURMAN (D)	-	-	+	+	+	+	+	-	+	-	-	-	-	-	-	?	+	+	+	-	-	+	+	39	42		
6 STEARNS (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	89		
7 MICA (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	89		
8 McCOLLUM (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	89		
9 BILIRAKIS (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	82		
10 YOUNG (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	?	+	+	+	+	100	80		
11 GIBBONS (D)	-	+	-	+	+	+	-	-	?	+	+	+	+	+	+	-	+	+	-	-	-	-	-	26	46		
12 CANADY (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	91		
13 MILLER (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	86		
14 GOSS (R)	+	+	+	+	+	+	+	+	+	+	+	+	-	+	+	+	+	+	+	+	+	+	+	88	88		
15 WELDON (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	100		
16 FOLEY (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	96		
17 MEER (D)	-	-	-	-	?	+	-	-	-	-	-	-	-	-	-	+	+	+	+	+	+	+	+	13	28		
18 ROS-LEHTINEN (R)	+	+	+	+	+	+	+	+	+	-	+	+	+	+	+	+	+	+	+	+	+	+	+	88	72		
19 JOHNSTON (D)	-	+	-	-	-	-	-	?	-	-	+	+	+	+	+	+	+	+	+	+	+	+	+	17	37		
20 DEUTSCH (D)	-	+	+	+	+	+	+	-	-	-	+	+	+	+	+	+	+	+	+	-	-	-	-	42	49		
21 DIAZ-BALART (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	79	79		
22 SHAW (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	86		
23 HASTINGS (D)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	+	-	-	-	-	-	-	-	-	8	21		
GEORGIA																											
1 KINGSTON (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	91		
2 BISHOP (D)	?	?	+	-	+	+	+	+	+	-	+	+	+	+	+	+	+	+	+	+	+	+	+	41	41		
3 COLLINS (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	85		
4 LINDER (R)	+	+	+	+	?	+	-	-	-	-	-	-	+	+	+	+	+	+	+	+	+	+	+	100	97		
5 LEWIS (D)	+	+	+	+	?	+	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9	17		
6 GINGRICH (R)*	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	89		
7 BARR (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	96		
8 CHAMBLISS (R)	+	+	+	+	+	+	+	?	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	100		
9 DEAL (D-R)**	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	87		
10 NORWOOD (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	100		
11 MCKINNEY (D)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4	16		
HAWAII																											
1 ASERCROMBIE (D)	-	-	-	-	+	-	-	-	-	-	-	-	-	-	-	-	+	-	-	-	-	-	-	8	13		
2 MINK (D)	-	-	-	-	+	-	-	-	-	-	-	-	-	-	-	-	+	-	-	-	-	-	-	8	13		
IDAHO																											
1 CHENOWETH (R)	+	+	+	-	+	+	+	+	+	+	+	+	+	+	-	+	+	+	+	+	+	+	+	92	82		
2 CRAPO (R)	+	+	+	+	?	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	91		
ILLINOIS																											
1 RUSH (D)	?	?	-	-	?	?	-	-	-	-	-	-	-	-	+	-	-	+	-	-	-	+	-	15	20		
2 REYNOLDS (D)	-	+	-	-	+	+	-	-	-	-	-	?	-	-	?	?	?	?	?	?	?	?	?	15	27		
3 LIPINSKI (D)	-	+	+	-	+	+	-	-	-	+	+	?	-	-	-	-	+	+	+	-	-	-	-	35	34		
4 GUTIERREZ (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	92	92		
5 PLANAGAN (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	86		
6 HYDE (R)	-	-	-	-	-	-	-	?	-	-	-	-	?	?	+	-	-	-	-	-	-	+	+	10	21		
7 COLLINS (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	88		
8 CRANE (R)	-	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	?	+	+	+	+	+	+	17	18		
9 VATES (D)	-	+	+	+	+	+	+	-	+	+	+	+	-	+	+	+	+	+	+	+	+	+	+	75	85		
10 PORTER (R)	-	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	100		
11 WELLER (R)	-	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	33	38		
12 COSTELLO (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	90		
13 FAWELL (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	90		
14 HASTERT (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	90		
15 EWING (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	94		
16 MANZULLO (R)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8	16		
17 EVANS (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	88	88		
18 LAMOOD (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	54	35		
19 POSHARD (D)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25	28		
20 DURBIN (D)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25	28		

* Speaker of the House casts ballots only on close votes or controversial issues.

** Switched political parties during 1995.

^a Switched political parties during 1995.

10. Welfare Reform (H.R. 4)

The House passed 234-199 a proposal to overhaul the welfare system by giving states the primary authority to manage welfare programs and by requiring welfare recipients to work after receiving benefits for two years. (The Senate passed a similar measure, but the president vetoed the reconciled version.)

The private sector is a critical component of meaningful job training and of employment, and the Chamber supports this and other welfare-reform measures that would require welfare recipients to attain the knowledge, skills, and attitudes necessary to enter and be successful in the workplace.

11. Term Limits (H.J.Res. 73)

The House rejected 227-204 a constitutional amendment that would have imposed a 12-year lifetime limit on congressional service in the House and the Senate. (It takes a two-thirds majority—290 votes—to pass a constitutional amendment in the House.)

The Chamber's membership has expressed strong support for limiting the terms of members of Congress to help ensure the accountability of lawmakers.

12. Tax and Spending Cuts (H.R. 1215)

The House passed 246-188 the Tax Fairness and Deficit Reduction Act, designed to provide tax relief to families and businesses, reform the tax system, and redirect federal programs that prove to be ineffective, inefficient, and burdensome.

The Chamber supported the legislation because it would increase savings and investment, create jobs, boost productivity and real-wage growth, and improve the nation's standard of living. (Many provisions of this bill were included in the Seven-Year Balanced Budget Reconciliation Act, which was vetoed by the president.)

13. Clean Water Act Revisions (H.R. 961)

The House passed 240-185 amendments to the Clean Water Act to provide additional incentives and flexibility in developing effective controls on water pollution. The measure also would require the Environmental Protection Agency to incorporate valid scientific data, risk assessment, and cost-benefit analysis into regulatory decision making.

The Chamber supported the measure

State & District	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	95 %	CUM %
MICHIGAN (Cont.)																										
12 LEVIN (D)	-	-	-	-	+	+	-	-	-	-	-	-	-	-	-	+	-	+	-	-	-	-	-	-	21	27
13 RIVERS (D)	-	-	+	+	+	+	-	-	-	-	-	-	-	-	-	+	-	+	-	-	-	-	-	-	25	28
14 CONYERS (D)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8	17
15 COLLINS (D)	-	-	-	-	-	-	-	?	-	-	-	-	-	-	-	?	-	-	+	-	-	-	-	-	5	17
16 DINGELL (D)	-	-	-	-	+	+	-	-	-	-	-	-	-	-	-	-	+	-	+	-	-	-	-	-	17	23
MINNESOTA																										
1 GUTKNECHT (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	100
2 MINGE (D)	-	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	54	57
3 RAMSTAD (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	92	98
4 VENTO (D)	-	-	-	-	+	+	-	-	-	-	-	-	-	-	-	-	-	-	+	+	+	+	+	+	17	23
5 SABO (D)	-	-	-	-	+	+	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17	23
6 LUTHER (D)	-	+	+	+	+	+	-	-	-	-	-	-	-	-	-	-	-	-	+	+	+	+	+	+	38	38
7 PETERSON (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	63	56
8 OBERSTAR (D)	-	-	-	-	+	+	-	-	-	-	-	-	-	-	-	-	-	?	+	-	-	-	-	-	13	29
MISSISSIPPI																										
1 WICKER (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	96
2 THOMPSON (D)	-	-	-	-	-	+	-	-	-	-	-	-	-	-	-	-	-	-	+	+	+	+	+	+	8	22
3 MONTGOMERY (D)	+	+	+	+	+	+	?	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	99
4 PARKER (D-R)**	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	88	84
5 TAYLOR (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	63	64
MISSOURI																										
1 CLAY (D)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	?	-	+	+	-	-	-	-	-	13	19
2 TALENT (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	94
3 GEPHARDT (D)	-	-	-	-	+	+	-	-	-	-	-	-	-	-	-	-	-	-	+	+	+	+	+	+	30	38
4 SKELTON (D)	+	+	+	+	+	+	+	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	61	51
5 MCCARTHY (D)	-	-	-	-	+	+	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	38	38
6 DANNER (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	67	51
7 HAWCOCK (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	85
8 EMERSON (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	87
9 VOLKMER (D)	-	+	+	-	-	+	+	+	-	-	-	-	-	-	-	-	-	?	?	?	-	-	-	-	38	41
MONTANA																										
WILLIAMS (D)	-	-	-	-	+	+	-	-	-	-	-	-	-	-	-	-	?	+	+	-	-	-	-	-	26	32
NEBRASKA																										
1 BERTEUTER (R)	-	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	92	86
2 CHRISTENSEN (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	96
3 BARRETT (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	92
NEVADA																										
1 ENSIGN (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	100
2 VUCANOVICH (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	88
NEW HAMPSHIRE																										
1 ZELIFF (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	96
2 BASS (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	96
NEW JERSEY																										
1 ANDREWS (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	48	42
2 LEBRONO (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	79	79
3 SAXTON (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	79	80
4 SMITH (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	63	56
5 ROKUSA (R)	-	+	+	+	+	+	-	-	-	-	-	-	-	-	-	-	-	-	?	+	+	+	+	+	65	74
6 PALLONE (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	33	40
7 FRANKS (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	92	83
8 MARTINI (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	79	79
9 TORRICELLI (D)	-	+	+	+	+	+	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25	25
10 PAYNE (D)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8	19
11 FRELINGHUYSEN (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	88	88
12 ZIMMER (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	75	76
13 MENENDEZ (D)	-	-	+	+	+	+	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21	30

** Switched political parties during 1995.

because it would provide tools businesses could use to achieve and maintain good water quality. (The Senate could consider similar legislation this year.)

14. Fiscal 1996 Budget Resolution (H.Con.Res. 67)

The House passed 238-193 a fiscal 1996 budget resolution whose provisions would

result in a balanced federal budget by 2002. The resolution contained specific proposals for reducing the growth rate of spending for discretionary and entitlement programs, streamlining federal programs and reducing government waste, and relieving the tax burden on families and businesses.

The Chamber supported the resolution as an important step toward reducing the

size and scope of government, lowering taxes, and increasing economic growth.

15. Fiscal 1996 Budget Resolution (H.Con.Res. 67)

After reconciling differences in the Senate-passed version, the House passed 239-194 the consensus version of the fiscal 1996 budget resolution.

The Chamber supported the conference report, which stressed balancing the budget in seven years, reducing government spending, and providing major tax relief. (A budget resolution does not require the president's signature.)

16. MFN Status For China (H.J.Res. 96)

The House voted 321-107 to table and thereby kill legislation that would have disallowed the president's extension of most-favored-nation status to China. MFN status allows a foreign country's products to enter the U.S. at normal tariff rates.

The Chamber supports China's MFN status because its revocation would have virtually assured Chinese trade retaliation against U.S. exports to China.

17. Striker Replacement/OSHA Requirement/NLRB Reform

The House rejected 188-238 a motion to send the fiscal 1996 appropriations bill for the Labor and Health and Human Services departments back to committee with instructions to strike certain provisions. They concerned an executive order on permanent replacement of economic strikers, ergonomic standards under development then by the Occupational Safety and Health Administration, and the National Labor Relations Board's ability to seek preliminary injunctions.

The Chamber supported all three provisions, and approval of the motion, in effect, would have killed them.

The first provision would overturn an executive order that barred federal agencies from contracting with firms that hire workers to replace those who strike for economic reasons. The Chamber strongly opposed the executive order, which tipped in favor of organized labor the balance between unions and business that has existed in federal labor law for more than 60 years.

The second provision would in effect bar OSHA from further developing standards for workplace ergonomics. The Chamber felt the draft standards could not be justified scientifically and, if finalized and implemented, would impose a substantial, unnecessary burden on

State & District	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	95 %	CUM %	
NEW MEXICO																											
1 SCHIFF (R)	+	+	+	+	+	+	+	+	+	+	+	-	+	+	+	+	+	+	+	+	+	+	-	+	92	84	
2 SKEEN (R)	+	+	+	+	+	+	+	+	+	+	+	-	+	+	+	+	+	+	+	+	+	+	+	+	96	84	
3 RICHARDSON (D)	-	+	+	+	+	+	-	-	-	-	-	-	-	-	+	+	+	+	+	-	-	-	-	-	33	35	
NEW YORK																											
1 FORBES (R)	+	+	+	+	+	+	+	+	+	+	+	-	+	+	-	+	+	+	-	+	+	-	-	-	79	79	
2 LAZIO (R)	+	+	+	+	+	+	+	+	+	+	+	-	+	+	-	+	+	+	-	+	+	+	-	-	83	86	
3 KING (R)	+	+	+	+	+	+	+	+	+	+	+	-	+	+	-	+	+	+	-	+	+	+	+	+	79	82	
4 FRISA (R)	+	+	+	+	+	+	+	+	+	+	+	-	+	+	-	+	+	+	-	+	+	+	+	+	96	96	
5 ACKERMAN (D)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	+	+	-	-	-	-	-	-	25	25	
6 FLAKE (D)	-	-	+	-	-	+	-	-	-	-	-	-	-	-	-	-	+	+	-	-	-	-	-	-	21	27	
7 MANTON (D)	-	-	+	+	+	+	-	-	-	-	-	+	-	-	-	-	+	+	-	-	-	-	-	-	38	23	
8 NADLER (D)	-	-	-	+	-	-	-	-	-	-	-	-	-	-	-	-	-	+	-	-	-	-	-	-	8	11	
9 SCHUMER (D)	-	-	-	+	+	+	+	-	-	-	-	-	-	-	-	-	?	?	-	-	-	-	-	-	32	25	
10 TOWNS (D)	?	-	-	-	+	-	-	-	?	-	-	-	-	-	-	-	-	+	?	-	-	-	-	-	14	20	
11 OWENS (D)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	?	-	-	9	18	
12 VELAZQUEZ (D)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8	9	
13 MOLINARI (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	83	
14 MALONEY (D)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21	36	
15 RANGEL (D)	-	-	-	-	-	-	-	?	?	-	-	-	-	-	-	-	+	+	-	-	-	-	-	-	14	18	
16 SERRANO (D)	-	-	-	-	-	+	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13	16	
17 ENGEL (D)	-	-	-	-	-	+	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8	19	
18 LOWEY (D)	-	-	-	-	-	+	-	-	-	-	-	-	-	-	-	-	+	+	-	-	-	-	-	-	25	28	
19 KELLY (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	-	+	+	+	+	+	92	82	
20 GILMAN (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	-	+	+	+	+	+	79	42	
21 McNULTY (D)	-	+	+	+	+	+	+	+	-	+	+	-	?	+	-	+	+	+	-	-	-	-	-	-	52	32	
22 SOLOMON (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	?	+	+	+	+	+	96	80	
23 BOEHLERT (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	-	+	+	+	+	+	63	57	
24 McHUGH (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	-	+	+	+	+	+	83	83	
25 WALSH (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	-	+	+	+	+	+	96	70	
26 HINCHEY (D)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	+	+	+	+	+	13	22	
27 PAXON (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	91	
28 SLAUGHTER (D)	-	-	-	-	-	+	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17	31	
29 LaFALCE (D)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	+	+	-	-	-	-	-	-	25	35	
30 QUINN (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	-	+	+	+	+	+	92	82	
31 HOUGHTON (R)	-	+	+	+	+	+	+	+	+	+	+	-	+	+	+	+	+	+	+	+	+	+	?	+	91	88	
NORTH CAROLINA																											
1 CLAYTON (D)	-	-	+	-	-	+	+	-	-	-	-	-	+	-	+	+	-	+	+	-	+	-	+	-	13	26	
2 FUNDERBURK (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	96	
3 JONES (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	96	
4 HEINEMAN (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	96	
5 BURR (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	96	
6 COBLE (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	92	90	
7 ROSE (D)	-	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	56	45	
8 FERNER (D)	-	+	+	-	+	+	+	+	+	+	+	+	+	+	+	+	+	+	-	-	-	-	-	-	42	51	
9 MYRICK (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	100	
10 BALLENGER (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	82	
11 TAYLOR (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	?	+	+	+	+	+	96	82	
12 WATT (D)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4	10	
NORTH DAKOTA																											
POMEROY (D)	-	-	+	+	+	+	+	+	-	-	?	-	-	-	-	+	-	+	+	-	-	-	-	-	39	48	
OHIO																											
1 CHABOT (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	98	98	
2 PORTMAN (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	97	
3 HALL (D)	-	-	+	-	+	-	-	-	-	-	-	-	-	-	-	-	+	+	-	-	+	+	+	+	29	33	
4 OXLEY (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	82	
5 GILLMOR (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	85	
6 CREMEANS (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	100	
7 HOBSON (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	87	
8 BOEHNER (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	92	
9 KAPTUR (D)	-	+	+	+	+	+	-	+	+	+	+	-	-	-	-	-	+	+	-	-	-	-	-	-	29	39	
10 HOKE (R)	+	+	+	+	+	?	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	94	
11 STOKES (D)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17	19	
12 KASICH (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	90	
13 BROWN (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	38	41	
14 SAWYER (D)	-	-	+	-	+	+	-	-	-	-	-	-	-	-	-	-	+	+	-	-	-	-	-	-	29	31	
15 PRYCE (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	84	
16 REGULA (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	75	
17 TRAFICANT (D)	-	-	+	-	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	63	32	
18 NEY (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	88	80	
19 LaTOURETTE (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	96	
OKLAHOMA																											
1 LARGENT (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	100	
2 COBURN (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	?	+	+	+	+	+	+	+	96	96	
3 BREWSTER (D)	+	+	+	-	+	+	+	+	+	+	+	?	-	-	-	-	?	+	+	+	+	+	+	+	70	70	
4 WATTS (R)	+	+	+	?	+	+	+	+	+	+	+	+	+	+	+	+	+	+	?	+	+	+	+	+	100	100	
5 ISTOOK (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	83	
6 LUCAS (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	96	

businesses. The third provision would restrain the NLRB from seeking preliminary injunctions against employers without due process. The Chamber opposes this NLRB practice because it, too, disrupts the long-standing balance in federal labor law.

18. Job Training (H.R. 1617)

The House passed 345-79 legislation that would consolidate most federal job-training programs into a single, universal work-force-development system.

The Chamber strongly supported the legislation, which would promote business-education partnerships, create a single system to deliver education and training services at the local level, and develop programs to help achieve a world-class work-force-development system that is responsive to today's skill needs.

The bill would enable small businesses and local chambers of commerce to participate in delivering education and training services. (The Senate passed a separate training bill, but differences have not been reconciled.)

19. National Highway System Designation (H.R. 2274)

The House passed 419-7 the House-Senate compromise version of legislation to designate 160,000 miles of roads as the National Highway System (NHS).

The Chamber supported the legislation, signed into law by the president, because the NHS represents a long-term investment in the nation's productivity and competitiveness. The law provides priority funding for the roads that are most important to U.S. commercial and personal transportation needs. Ninety-five percent of businesses will be within five miles of the NHS, making the system crucial to the long-term growth of commerce.

20. Management-Labor Cooperation (H.R. 743)

The House passed 221-202 the Teamwork for Employers and Managers (TEAM) Act, which would permit establishment of committees to enable managers and employees to jointly solve business problems, increase productivity, and implement quality-management programs. The bill, still pending in the Senate, also would remove legal impediments to allowing employees to ensure the economic success of their employers.

The Chamber supports the TEAM Act as an important means of making U.S.

State & District	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	%	CUM %	
OREGON																											
1 FURSE (D)	-	-	+	+	+	+	+	-	-	-	-	+	-	-	-	+	+	+	-	-	-	-	-	-	-	33	38
2 COOLEY (R)	+	+	+	+	+	+	+	+	-	-	+	+	-	+	+	-	+	+	+	+	+	+	+	+	+	96	96
3 WYDEN (D)	-	-	+	+	+	+	+	-	-	-	-	-	-	-	-	-	-	+	+	-	-	-	-	-	-	29	32
4 DeFAZIO (D)	-	+	+	+	+	+	+	-	-	-	-	-	-	-	-	-	-	-	+	-	-	-	-	-	-	25	31
5 BUNN (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	96
PENNSYLVANIA																											
1 FOGLIETTA (D)	-	-	-	-	-	+	-	-	-	-	-	-	-	-	-	+	+	+	-	-	-	-	-	-	-	17	21
2 FATTAH (D)	-	-	-	-	-	+	-	-	-	-	-	-	-	-	-	+	+	+	+	-	-	-	-	-	-	13	28
3 BORSKI (D)	-	-	+	-	-	?	-	-	-	-	-	-	-	-	-	+	+	+	+	-	-	-	-	-	-	22	29
4 KLUNK (D)	-	-	+	-	-	+	+	-	-	-	-	-	-	-	-	+	+	+	+	-	-	-	-	-	-	29	31
5 CLINGER (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	79
6 HOLDEN (D)	-	-	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	46	44
7 WELDON (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	?	-	-	83	75
8 GREENWOOD (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	88	90
9 SHUSTER (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	86
10 McDADE (R)	+	+	+	?	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	91	53
11 KANJORSKI (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	29	27
12 MURTHA (D)	-	-	+	-	+	+	+	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	+	+	+	33	33
13 FOX (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	83	83
14 COYNE (D)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13	11
15 McHALE (D)	-	+	+	+	+	+	+	-	-	-	-	-	-	-	-	+	+	+	+	-	-	-	-	-	-	36	33
16 WALKER (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	87
17 GEKAS (R)	+	+	+	+	+	?	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	81
18 DOYLE (D)	-	+	+	+	+	+	+	-	-	-	-	-	-	-	-	+	+	+	+	-	-	-	-	-	-	50	50
19 GOODLING (R)	+	+	+	+	+	+	+	+	+	+	+	+	?	+	+	+	+	+	+	+	+	+	+	+	+	96	78
20 MASCARA (D)	-	-	+	+	+	+	+	-	-	-	-	-	-	-	-	+	+	+	+	-	-	-	-	-	-	42	42
21 ENGLISH (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	92	80
RHODE ISLAND																											
1 KENNEDY (D)	-	-	-	+	+	+	+	-	-	-	-	-	-	-	-	+	+	+	+	-	-	-	-	-	-	25	25
2 REED (D)	-	-	+	-	+	+	-	-	-	-	-	-	-	-	-	+	+	+	+	-	-	-	-	-	-	25	26
SOUTH CAROLINA																											
1 SANFORD (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	92	92
2 SPENCE (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	94
3 GRAHAM (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	96
4 INGLES (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	46	49
5 SPRATT (D)	-	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	29	34
6 CLYBURN (D)	-	+	+	-	-	+	+	-	-	-	-	-	-	-	-	+	+	+	+	-	-	-	-	-	-	29	34
SOUTH DAKOTA																											
JOHNSON (D)	-	+	+	+	+	+	+	+	-	-	+	+	-	-	-	+	+	+	+	-	-	-	-	-	-	50	42
TENNESSEE																											
1 QUILLEN (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	84
2 DUNCAN (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	80
3 WAMP (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	96
4 HILLEARY (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	100
5 CLEMENT (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	63	92
6 GORDON (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	63	43
7 BRYANT (R)	+	+	+	?	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	100
8 TANNER (D)	-	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	67	80
9 FORD (D)	-	+	+	+	+	+	+	-	-	-	-	-	-	-	-	+	+	+	+	-	-	-	-	-	-	25	24
TEXAS																											
1 CHAPMAN (D)	+	+	+	+	+	+	+	+	-	-	+	+	-	-	-	+	+	+	+	-	-	-	?	-	-	52	55
2 WILSON (D)	-	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	58	48
3 JOHNSON (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	94
4 HALL (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	73
5 BRYANT (D)	-	+	+	-	+	+	+	?	-	-	-	-	-	-	-	+	+	+	+	+	+	+	+	+	+	30	24
6 BARTON (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	81
7 ARCHER (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	?	+	+	+	+	+	+	96	81
8 FIELDS (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	91
9 STOCKMAN (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	91	91
10 DOGGETT (D)	-	-	+	+	+	+	+	-	-	-	-	-	-	-	-	+	+	+	+	-	-	-	-	-	-	29	29
11 EDWARDS (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	63	81
12 GEREN (D)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	88	85
13 THORNBERRY (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	100
14 LAUGHLIN (D-R)**	+	+	+	+	+	+	+	?	+	+	+	+	?	+	+	+	+	+	+	+	+	+	+	+	+	91	73
15 DE LA GARZA (D)	+	+	+	-	+	+	+	-	-	-	-	-	-	-	-	+	+	+	+	-	-	-	-	-	-	45	50
16 COLEMAN (D)	-	+	+	-	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	-	-	-	-	-	-	29	32
17 STENHOLM (D)	-	+	+	-	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	63	79
18 JACKSON LEE (D)	-	-	-	-	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	21	21
19 COMBEST (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	91
20 GONZALEZ (D)	-	-	+	-	?	?	?	?	-	-	-	-	-	-	-	+	+	+	+	+	+	+	+	+	+	20	20
21 SMITH (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	91
22 DELAY (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	96	90
23 BONILLA (R)	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	100	100
24 FROST (D)	-	+	+	?	+	+	+	+	-	-	?	-	-	-	-	+	+	+	+	-	-	-	-	-	-	41	30

-- Switched political parties during 1995.

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The live, half-hour program, which focuses on the interests of small-business people,

is broadcast by satellite from the Chamber's headquarters in Washington. The show is available in syndication through three satellite feeds beginning at 5 a.m. Eastern time, with updated versions available at 5:30 a.m. and 6 a.m. (Check the listing below for the

time and station in your area.) In addition to these local broadcast stations, the show can be seen on these regional cable outlets: Cable Television Network of New Jersey (5:30 a.m.), Tennessee News & Information in Knoxville (7 a.m.), and NewsChannel 8 in the Washington, D.C., area (9 a.m.).

"First Business" is sponsored by Connecticut Mutual Life Insurance Co.

CITY	STATION	TIME	AFFILIATE	CITY	STATION	TIME	AFFILIATE
Albany, Ga.	WGVP-44	6 a.m.	Warner Bros.	Louisville, Ky.	WYCS-24	6:30 a.m.	Independent
Albany-Glens Falls, N.Y.	WNCE-8	6 a.m.	Independent	Miami	WYHS-69	6:30 a.m.	Independent
Athens, Ga.	WNGM-34	7 a.m.	Independent	Milwaukee	WDJT-58	5:30 a.m.	CBS
Baltimore	WHSW-24	6:30 a.m.	Independent	Missoula, Mont.	KECI-13	6 a.m.	NBC
Boston	WHSB-66	6:30 a.m.	Independent	Monroe, La.	KTVI-10	5:30 a.m.	NBC
Brunswick, Ga.	WBSG-21	7:30 a.m.	Warner Bros.	Nashville, Tenn.	WNAB-58	6 a.m.	Warner Bros.
Butte, Mont.	KTVI-6	6 a.m.	NBC	New Orleans	WUPL-54	6 a.m.	UPN
Casper-Riverton, Wyo.	KTWO-2	6 a.m.	NBC	New York City	WHSE-68	6:30 a.m.	Independent
Cedar City, Utah	KSGI-4	7:30 a.m.	Independent	Norfolk-Hampton, Va.	WPEN-51	8 a.m.	Independent
Cheyenne, Wyo.	KKTU-33	6 a.m.	NBC	Orlando-Daytona Beach, Fla.	WKCF-18	5 a.m.	Warner Bros.
Chicago	WJYS-62	5:30 a.m.	Independent	Philadelphia	WHSP-65	6:30 a.m.	Independent
Cleveland-Akron	WAKC-23	6 a.m.	ABC	Phoenix-Scottsdale	KUSK-7	5:30 a.m.	Independent
Dallas-Fort Worth	KHSX-49	6:30 a.m.	Independent	Portland, Ore.	KWBK-32	5:30 a.m.	Warner Bros.
Denver	KDVR-31	5:30 a.m.	Fox	Raleigh-Durham, N.C.	WRAY-30	6:30 a.m.	Independent
Doniphan, Neb.	KTVG-17	6 a.m.	Fox/UPN	Rio Rancho-Lynchburg, Va.	WDOR-24	6:30 a.m.	Warner Bros.
Eugene, Ore.	KROZ-36	6 a.m.	Warner Bros.	St. Croix, Virgin Islands	WSVI-11	11 a.m.	ABC
Fayetteville, N.C.	WFAY-62	7 & 11:30 a.m.	Fox	St. Louis	KTVI-2	5 a.m.	Fox
Fort Smith, Ark.	KFDK-32	7:30 a.m.	UPN	Salt Lake City	KSL-5	5 a.m.	NBC
Grand Rapids, Mich.	WXMI-17	5 a.m.	Fox	San Diego	KUSI-51	5:30 a.m.	UPN
Greensboro-High Point	WAEX-14	6 a.m.	Independent	San Francisco	KTVU-2	5:30 a.m.	Fox
Winston-Salem, N.C.				Savannah, Ga.	WUFI-34	6 a.m.	Warner Bros.
Hagerstown, Md.	WJAL-68	6 a.m.	Warner Bros.	Seattle-Tacoma	KTZZ-22	5:30 a.m.	Warner Bros.
Harrisburg-Lancaster	WHP-21	6 a.m.	CBS	Sherman, Texas	KXII-12	5:30 a.m.	UPN
Lebanon-York, Pa.				Ada-Ardmore, Okla.			
Huntsville-Florence, Ala.	WYLE-26	9 a.m.	Warner Bros.	Tallahassee, Fla.	WTWC-40	6 a.m.	NBC
Indianapolis	WXIN-59	5:30 a.m.	Fox	Tampa-St. Petersburg-Sarasota, Fla.	WBSV-62	7 a.m.	Independent
Jacksonville, Fla.	WNFT-47	6:30 a.m.	UPN	Tri-Cities, Tenn.-Va.	WEMT-39	5 a.m.	Fox
Kalispell, Mont.	KCFW-9	6 a.m.	NBC	Twin Falls, Idaho	KMYT-11	5:30 a.m.	CBS
Kansas City, Mo.	WDAF-4	4:30 a.m.	Fox	Waco-Temple-Bryan, Texas	KYLE-28	6:30 a.m.	Warner Bros.
La Crosse-Eau Claire, Wis.	WLAX-25	4:30 a.m.	Fox	Washington, D.C.	WBDC-50	5:30 a.m.	Warner Bros.
Las Vegas	KFBT-33	4:30 a.m.	Warner Bros.	West Palm Beach, Fla.	WTCN-16	6 a.m.	Independent
Lexington, Ky.	WKYT-27	5:30 a.m.	CBS	Yakima, Wash.	KEBB-60	6 a.m.	Warner Bros.
Los Angeles	KHSC-46	6:30 a.m.	Independent	Youngstown, Ohio	WFMJ-21	6 a.m.	NBC